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June 23, 1994

RECORDATION NO. 18857 FILED 1425

JUN 23 1994 - 12 10 PM

INTERSTATE COMMERCE COMMISSION

Mr. Sidney L. Strickland, Jr., Secretary
Interstate Commerce Commission
Twelfth Street & Constitution Avenue, N.W.
Washington, DC 20423

Re: Northern Indiana Public Service Company ("NIPSCO")
Leveraged Lease Financing of
380 Aluminum High Side Rotary Gondola Railcars

Dear Mr. Strickland:

I am enclosing for recording pursuant to Section 11303 of Title 49 of the United States Code, two original copies of each of the two primary documents described below, and of the two secondary documents described below, which secondary documents are related to the enclosed primary documents. As one of the attorneys representing the Note Purchaser in this transaction, I have knowledge of the matters described in this letter.

The enclosed primary documents are as follows:

(1) Railcar Lease, dated as of June 1, 1994, between Shawmut Bank Connecticut, National Association, as lessor (the "Lessor"), and Northern Indiana Public Service Company, as lessee (the "Lessee"); and

(2) Security Agreement-Trust Deed, dated as of June 1, 1994, between Shawmut Bank Connecticut, National Association, as debtor (the "Debtor"), and Wilmington Trust Company, as security trustee (the "Security Trustee").

The enclosed secondary documents are as follows:

(1) Lease Supplement No. 1, dated June 23, 1994, between the Lessee and the Lessor; and

(2) Security Agreement Supplement No. 1, dated June 23, 1994, between the Debtor and the Security Trustee.

RECORDATION NO. 18857-B FILED 1425

JUN 23 1994 - 12 10 PM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 18857-A FILED 1425

JUN 23 1994 - 12 10 PM

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counterparts Betty S. [Signature]

RECORDATION NO. 18857-C FILED 1425
JUN 23 1994 - 12 10 PM
INTERSTATE COMMERCE COMMISSION

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Mr. Sidney L. Strickland, Jr., Secretary
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The primary documents to which Lease Supplement No. 1 and Security Agreement Supplement No. 1 are connected are the Railcar Lease and the Security Agreement-Trust Deed, respectively, referred to above and which are being submitted for recording concurrently therewith.

The names and addresses of the parties to the documents are as follows:

RAILCAR LEASE

Lessee: Northern Indiana Public Service Company
5265 Hohman Avenue
Hammond, Indiana 46320

Lessor: Shawmut Bank Connecticut, National Association
777 Main Street
Hartford, Connecticut 06115

SECURITY AGREEMENT-TRUST DEED

Debtor: Shawmut Bank Connecticut, National Association
777 Main Street
Hartford, Connecticut 06115

Security Trustee: Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

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LEASE SUPPLEMENT NO. 1

Lessee: Northern Indiana Public Service Company
5265 Hohman Avenue
Hammond, Indiana 46320

Lessor: Shawmut Bank Connecticut, National Association
777 Main Street
Hartford, Connecticut 06115

SECURITY AGREEMENT SUPPLEMENT NO. 1

Debtor: Shawmut Bank Connecticut, National Association
777 Main Street
Hartford, Connecticut 06115

Security Trustee: Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

The Railcar Lease provides, *inter alia*, for the lease by the Lessor to the Lessee of certain railcars (the "*Equipment*"). The Security Agreement-Trust Deed provides, *inter alia*, for the granting of a security interest in the Equipment in favor of the Security Trustee in order to secure the Debtor's performance of certain obligations under the Security Agreement-Trust Deed and the Lessee's performance of certain obligations under the Railcar Lease and any Lease Supplement and Security Agreement Supplement executed and delivered from time to time pursuant to the Railcar Lease and the Security Agreement-Trust Deed. Lease Supplement No. 1 and Security Agreement Supplement No. 1 provide, *inter alia*, for the Railcar Lease Agreement and the Security Agreement-Trust Deed to apply to the Equipment bearing the road numbers set forth in the Lease Supplement, namely the road numbers set forth in Exhibit A hereto.

The description of the Equipment covered as of the date hereof by the aforesaid Railcar Lease, Security Agreement-Trust Deed, Lease Supplement No. 1 and Security Agreement Supplement No. 1 is as set forth on Exhibit A hereto.

A fee of sixty-four dollars (\$64.00) is enclosed. Please time and date stamp the enclosed copy of each of the enclosed documents along with the extra copy of this letter as

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Mr. Sidney L. Strickland, Jr., Secretary
June 23, 1994
Page 4

proof of filing and recordation of the enclosed documents and return the original and any extra copies of such documents and this letter not needed by the Commission for recordation to:

Michael G. McGee, Esq.
Chapman and Cutler
111 West Monroe
Chicago, Illinois 60603

A short summary of each of the documents to appear in the index follows:

(1) RAILCAR LEASE:

Railcar Lease between Shawmut Bank Connecticut, National Association, as Lessor, 777 Main Street, Hartford, CT 06115 and Northern Indiana Public Service Company, as Lessee, 5265 Hohman Avenue, Hammond, Indiana 46320, dated as of June 1, 1994, covering the Equipment bearing the road numbers set forth in such Lease Supplements as may be executed and delivered from time to time pursuant to such Railcar Lease.

(2) SECURITY AGREEMENT-TRUST DEED:

Security Agreement-Trust Deed between Shawmut Bank Connecticut, National Association, as Debtor, 777 Main Street, Hartford, CT 06115 and Wilmington Trust Company, as Security Trustee, Rodney Square North, 1100 Market Street, Wilmington, Delaware 19890, dated as of June 1, 1994, securing the obligations of the Debtor and the Lessee relating to the Equipment bearing the road numbers set forth in such Security Agreement Supplements as may be executed and delivered from time to time pursuant to such Security Agreement-Trust Deed.

(3) LEASE SUPPLEMENT NO. 1:

Lease Supplement No. 1 between Shawmut Bank Connecticut, National Association, as Lessor, 777 Main Street, Hartford, CT 06115, and Northern Indiana Public Service Company, as Lessee, 5265 Hohman Avenue, Hammond, Indiana 46320, dated June 23, 1994, covering Equipment bearing the road numbers set forth in such Lease Supplement No. 1, namely road numbers set forth in Exhibit A hereto. Lease Supplement No. 1 is related to the Railcar Lease between the Lessor and the Lessee dated as of June 1, 1994, which is filed concurrently herewith.

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(4) SECURITY AGREEMENT SUPPLEMENT NO. 1:

Security Agreement Supplement No. 1 between Shawmut Bank Connecticut, National Association, as Debtor, 777 Main Street, Hartford, CT 06115, and Wilmington Trust Company, as Security Trustee, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, dated June 23, 1994, securing the obligations of the Debtor and the Lessee relating to Equipment bearing road numbers set forth in such Security Agreement Supplement No. 1, namely road numbers set forth in Exhibit A hereto. The Security Agreement Supplement No. 1 is related to the Security Agreement-Trust Deed between the Debtor and the Security Trustee, dated as of June 1, 1994, which is filed concurrently herewith.

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EXHIBIT A

UNITS

EQUIPMENT	QUANTITY	REPORTING MARKS
Rotary Dump Gondola Railcars	380	NORX 2811 through NORX 3190, inclusive

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

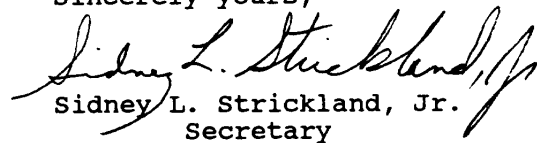
JUNE 23, 1994

MARK A. STERNBERG
CHAPMAN AND CUTLER
111 MONROE STREET WEST
CHICAGO ILLINOIS 60603-4080

Dear MR. STERNBERG:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/23/94 at , and assigned recordation number(s). 18857, 18857-A, 18857-B, 18857-C.

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

18857

RECORDATION NO. _____ FILED 1425

JUN 23 1994 - 12 10 PM

EXECUTION COPY

~~INTERSTATE COMMERCE COMMISSION~~

RAILCAR LEASE

Dated as of June 1, 1994

Between

SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION,
not in its individual capacity but solely
as Owner Trustee under the Trust Agreement
dated as of June 1, 1994 with
Liberty National Leasing Company,

as Lessor

And

NORTHERN INDIANA PUBLIC SERVICE COMPANY,

as Lessee

This Lease has been executed in several counterparts. To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the "*Counterpart No. 1*". This Counterpart is Counterpart No. 2 of 16. Certain rights of the Lessor under this Railcar Lease have been assigned as security to, and are subject to a security interest in favor of Wilmington Trust Company, as Security Trustee under the Security Agreement-Trust Deed dated as of the date hereof between the Lessor and the Security Trustee, for the benefit of the holders of the Notes referred to therein.

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ATTACHMENTS TO RAILCAR LEASE:

- Annex 1 — Definitions
- Annex 2 — Pricing Assumptions

EXHIBITS

- A — Equipment Description
- B — Lease Supplement
- C — Fixed Rent
- D — Stipulated Loss Value and Termination Value

RAILCAR LEASE

THIS RAILCAR LEASE dated as of June 1, 1994 (the "*Lease*"), by and between SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement dated as of June 1, 1994 with LIBERTY NATIONAL LEASING COMPANY, a Kentucky corporation (the "*Lessor*"), and NORTHERN INDIANA PUBLIC SERVICE COMPANY, an Indiana corporation (the "*Lessee*").

WHEREAS, the Lessee has selected 380 new 120-ton high side rotary dump aluminum gondola railcars, currently leases such railcars from the Seller and intends to assign to the Lessor, pursuant to the Acquisition Agreement, its right to purchase such railcars; and

WHEREAS, subject to the terms of the Participation Agreement, the Lessor will purchase certain of such railcars on each Closing Date and lease such railcars to the Lessee pursuant to this Lease;

In consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

SECTION 1. DEFINITIONS.

For purposes of this Lease, capitalized terms used herein shall have the meanings assigned to them in Annex 1 hereto, as the same may be amended from time to time (such definitions to be equally applicable to both the singular and plural forms of the terms defined). Any term defined by reference to an agreement, instrument or other document shall have the meaning so assigned to it whether or not such document is in effect. Unless otherwise indicated, references without qualification in this Lease to sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in or attached to this Lease.

SECTION 2. AGREEMENT FOR LEASE OF EQUIPMENT.

Subject to, and upon all of the terms and conditions of this Lease, the Lessor hereby agrees to lease to the Lessee and the Lessee hereby agrees to lease from the Lessor each Item of Equipment for the Lease Term.

SECTION 3. DELIVERY AND ACCEPTANCE OF EQUIPMENT.

The Lessor shall not be liable to the Lessee for any failure or delay in obtaining any Item of Equipment or making delivery thereof. Upon execution and delivery of a Lease Supplement substantially in the form attached hereto as Exhibit B by the Lessor and the Lessee, the Items described therein shall be deemed to have been delivered to and accepted by the Lessee as agent for the Lessor under the respective Acquisition Agreement and for all

purposes of this Lease, and thereupon shall be subject to all of the terms, provisions and conditions of this Lease.

Lessee's execution and delivery of a Lease Supplement shall be evidence that the Items of Equipment listed therein have been subjected to this Lease on the terms hereof. The Lessee's execution and delivery of a Lease Supplement with respect to an Item of Equipment pursuant to this Section 3 shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessor's or the Lessee's rights, if any, against any other Person, such Item of Equipment is acceptable to and irrevocably accepted by the Lessee under the Lease, notwithstanding any defect with respect to design, manufacture, condition or any other matter or the failure of any such Item of Equipment to comply to the specifications applicable thereto or to all applicable Federal or state governmental standards including, without limitation, any imposed by the United States Department of Transportation and ICC requirements and specifications, if any, or to all standards recommended by the AAR applicable to railroad equipment of the character of the Equipment as of the date hereof, and that, as between the Lessor and the Lessee, such Item of Equipment is in good order and condition.

SECTION 4. LEASE TERM.

The interim term (the "*Interim Term*") for each Item of Equipment shall commence on the Acceptance Date for such Item of Equipment and shall terminate on December 21, 1994 unless this Lease is sooner terminated with respect to such Item pursuant to the provisions hereof. The basic term (the "*Basic Term*") for each Item of Equipment shall commence on December 22, 1994 (the "*Basic Term Commencement Date*") for such Item and, unless this Lease is sooner terminated with respect to such Item (or all Equipment) pursuant to the provisions hereof, shall terminate on December 21, 2014. If not sooner terminated pursuant to the provisions hereof, the Lease Term for each Item of Equipment shall end on the last day of the Basic Term thereof, or if this Lease is renewed pursuant to Section 25(a) hereof, on the last day of the last Renewal Term thereof.

SECTION 5. RETURN OF EQUIPMENT.

(a) *Return of Equipment upon Expiration of Term.* Upon the expiration or earlier termination of the Lease Term with respect to each Item of Equipment and so long as the Lessor shall not have terminated this Lease pursuant to Section 19 hereof (and provided, in the case of the expiration of the Lease Term, that the Lessee has not exercised its purchase option under Section 25(b) hereof), the Lessee will at the Lessee's cost and expense deliver possession of each Item of Equipment (other than Equipment with respect to which an Event of Loss has occurred) to the Lessor, at any of the Lessee's four generating facilities existing as of the date of this Agreement as selected by the Lessee in the condition described in this Section 5. Delivery shall be in groups of at least 100 Items of Equipment. Prior to delivery but not in lieu thereof (unless such Items are picked up by the Lessor) each such group of Items of Equipment shall be made available for pick-up by the Lessor during sequential two week periods; *provided* that all Items of Equipment shall be returned not later

than the expiration or earlier termination of the Lease Term with respect to such Items of Equipment. The generating facility at which each such Item shall be redelivered shall be specified in a written notice given by the Lessee to the Lessor at least 60 days prior to such redelivery (each, a "*Lessee Storage Location*"). If the Equipment is not picked-up by the Lessor as provided above, the Lessee shall arrange to store the Equipment in groups of at least 100 Items of Equipment at the Lessee Storage Locations or, at the Lessee's option, upon such storage tracks at not more than two locations within a 50 mile radius of Chicago as the Lessee and the Lessor may reasonably agree (each such location which is not a Lessee Storage Location, a "*Third Party Storage Location*"), in each case for a period not exceeding 60 days after the expiration or termination of the Lease Term (the "*Storage Period*"). During the Storage Period, storage of each Item at a Lessee Storage Location or a Third Party Storage Location shall be at the expense and risk of the Lessee and the Lessee shall maintain the insurance required by the provisions of Section 16 hereof with respect to such Item (but shall not be obligated to comply with the other provisions of this Lease, including, without limitation, Section 10 hereof). On not more than one occasion during the Storage Period with respect to each Item of Equipment stored at a Lessee Storage Location or a Third Party Storage Location and upon not less than 15 days' prior written notice from the Lessor to the Lessee (which notice shall specify the transportation of all or not less than 100 Items of Equipment from such Lessee Storage Location or Third Party Storage Location), the Lessee will transport such Items of Equipment, at the Lessee's cost and expense, to a point of interchange located within a 50 mile radius of Chicago on the lines of a railroad selected by the Lessor and reasonably acceptable to the Lessee (each such point of interchange, an "*Interchange Location*"), whereupon the Storage Period with respect to such Item shall terminate. So long as the Lessee has given the notice set forth above, any Item of Equipment delivered to a Lessee Storage Location and picked up by the Lessor (if the Lessor chooses to pick up such Item) or delivered to an Interchange Location shall be deemed to be redelivered hereunder on the date on which all of the Equipment in the group being delivered shall have been delivered to such location in the condition described in this Section 5 and all of the Lessee's obligations with respect to the return thereof having been performed. From and after any movement of any Item at the direction of, or by, the Lessor from any Lessee Storage Location or Third Party Storage Location (whether or not returned to such location) to a location other than on Interchange Location, any further storage with respect to such Item shall be at the expense and risk of the Lessor. During the period of 240 days prior to the end of the Lease Term or any Renewal Term and during the Storage Period, the Lessee will permit upon reasonable prior notice and if prior to any Storage Period at such time and location as the Lessee shall designate to the Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser or user of such Items of Equipment to inspect any or all of such Items of Equipment. Any Person inspecting any of the Equipment or otherwise entering the Lessee's property or any other location where the Equipment may be located or stored shall enter at its sole risk and shall be subject at all times to any operating and safety requirements of the Lessee and any other operator or owner of such location. Except to the extent of the willful misconduct or gross negligence of the Lessee, any injury, death or property damage arising out of such entry, occupancy or inspection shall be the entire responsibility of such Person and such Person will indemnify and hold harmless the Lessee and any other operator or owner of any such location from any and all such liabilities. As a condition to such entry,

any such Person may be required to execute a release of liabilities in favor of the Lessee and any other operator or owner of any such location in form and substance reasonably satisfactory to the Lessee and any other such operator or owner. Subject to the following paragraph, Fixed Rent or Renewal Rent, as the case may be, with respect to any Item of Equipment so deemed to have been redelivered shall cease to accrue.

(b) *Return of Equipment upon Default.* If the Lessor shall terminate this Lease pursuant to Section 19 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item to the Lessor as above required, the Lessee shall at its own cost, expense and risk: (i) forthwith deliver such Items to not more than two (2) locations as the Lessor shall reasonably designate within the forty-eight contiguous States of the United States, and (ii) permit the Lessor to store such Items for a period of 365 days at such locations without charge for insurance, rent or storage, and during such period of storage the Lessee shall continue to maintain all insurance required by Section 16 hereof; *provided, however*, that unless the Lessee otherwise consents, the Lessor shall not require the Lessee to deliver possession of the Equipment or store the Equipment at the Lessee's facilities.

Each such Item will, when placed in storage and at all times while in storage, be in the condition required by Section 10 hereof and the Lessee shall take such actions as may be required by the Lessor to enable the Items to be sold or leased to a third party for use in interchange service under the Interchange Rules. The Lessee agrees that no Item shall be considered to have been returned under this Section 5(b) until the Lessee has returned such Item in such condition.

(c) In the event any Item of Equipment is not returned as hereinabove provided as a result of any action or inaction on the part of the Lessee as of the date of the expiration of the Lease Term or the Renewal Term with respect to such Item of Equipment, the Lessee shall pay to the Lessor, for each day thereafter as liquidated damages, and not as a penalty, for the failure of the Lessee to return such Item of Equipment to the Lessor at the expiration of the Lease Term as required by the provisions of Section 5(a), an amount equal to the daily equivalent of the arithmetic average of the Fixed Rent during the Basic Term for such Item of Equipment or, if the failure to return occurs after a Renewal Term, the daily equivalent of the arithmetic average of the rent paid during the Renewal Term for such Item of Equipment. The provision for such payment shall not be in abrogation of the Lessor's right under Section 5(a) to have such Item of Equipment returned to it hereunder.

(d) Each Item returned to the Lessor pursuant to this Section 5 shall (i) be in a condition in compliance with all provisions (including, without limitation, maintenance and repair provisions) of this Lease (*provided, however*, that this clause (i) shall not impose any obligation on the Lessee during the Storage Period except to maintain the insurance required by the provisions of Section 16 hereof with respect to such Item); (ii) be free of all accumulations and deposits of the commodities transferred in or on such Item except where the failure to be so free of accumulations and deposits would not have a material adverse effect on the value, utility or condition of such Item; (iii) have had removed or painted over any name, logo or other special markings of the Lessee or any permitted sublessee in a

workmanlike manner; and (iv) be free of all Liens except Lessor's Liens and other Liens expressly permitted in this Lease.

(e) *Essence of Lease.* The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

SECTION 6. RENT.

(a) *Interim Rent.* The Lessee hereby agrees to pay the Lessor Interim Rent for the use by the Lessee of each Item of Equipment during the Interim Term in one installment payable on December 22, 1994 in an amount equal to the difference between (i) the amount that the Owner Participant shall be obligated to pay under and pursuant to Section 2.1(b) of the Participation Agreement, and (ii) the amount actually paid to the Security Trustee by the Owner Participant under and pursuant to Section 2.1(b) of the Participation Agreement. Subject to the provisions of Section 6(e), in the event that the Lessee shall make a payment of Interim Rent hereunder due to the Owner Participant's failure to pay the full amount required to be paid by the Owner Participant under Section 2.1(b) of the Participation Agreement, the Lessee shall be entitled to offset such amount plus interest thereon at a rate per annum equal to the Late Rate against payments of Fixed Rent until such time as the Lessee has been paid or shall have so offset the amount of such Interim Rent payment; *provided* that the Lessee shall not have such right of offset if a Default or Event of Default under this Lease shall have occurred and be continuing.

(b) *Fixed Rent.* The Lessee hereby agrees to pay the Lessor Fixed Rent for the use by the Lessee of each Item of Equipment during the Basic Term, in consecutive semiannual installments, in arrears, due and payable on each Rent Payment Date and continuing until the expiration or earlier termination of the Basic Term, with each such installment to be in an amount equal to the product obtained by multiplying (i) the Purchase Price of such Item of Equipment by (ii) the applicable percentage set forth in Exhibit C attached hereto for such Rent Payment Date. The Lessee hereby agrees to pay the Lessor Fixed Rent for each Item of Equipment during each Renewal Term thereof as specified in Section 25(a) hereof.

(c) *Supplemental Rent.* The Lessee also agrees to pay to the Lessor, or to whomever shall be entitled thereto, all Supplemental Rent, as the same shall become due and owing. The Lessee shall also pay to the Lessor (and, in the case of payments of Supplemental Rent payable to other Persons hereunder, such other Persons) on demand, as Supplemental Rent, to the extent permitted by applicable law, interest (i) at the Late Rate on (A) any part of any installment of Interim Rent or Fixed Rent or any amount due under Section 19 hereof not paid at or prior to the time specified for such payment for any period for which the same shall be overdue and (B) any payment of Supplemental Rent payable to the holders of the Notes or the Security Trustee and not paid when due for the period from the due date thereof until the same shall be paid and (ii) at a rate per annum equal to 1% plus the Prime Rate on any payment of Supplemental Rent payable to the Owner Participant or

the Owner Trustee and not paid when due for the period from the due date thereof until the same shall be paid. The payment or satisfaction of the Lessee's obligation with respect to Fixed Rent or any installment thereof shall not limit any obligation of the Lessee which may have accrued during the Lease Term with respect to Supplemental Rent. In the event of any failure on the part of the Lessee to pay any such Supplemental Rent hereunder the Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Rent.

(d) *Method of Payment.* All payments of Interim Rent, Fixed Rent and Supplemental Rent required to be made by the Lessee to the Lessor shall be made by 11:00 A.M. Wilmington, Delaware time on the date payment is due in United States dollars and in immediately available funds. If any such date is not a Business Day, then payment shall be due on the next succeeding Business Day and if paid on such Business Day by 11:00 A.M. Wilmington, Delaware time, such payment shall be without interest or penalty. In the event of any assignment pursuant to Section 13(b) hereof, all payments or right to payments which are properly assigned thereunder, whether Interim Rent, Fixed Rent, Supplemental Rent or otherwise, shall be paid to such address as shall be designated by the Lessor and any such assignee. All payments of Rent (other than payments with respect to Excepted Rights in Collateral, which shall be paid to the Person entitled thereto) shall be paid by the Lessee to the Lessor at its office at Shawmut Bank Connecticut, National Association, Hartford, Connecticut, ABA No. 011900445, Attention: Corporate Trust Administration, or as the Lessor may otherwise direct from time to time in writing; *provided*, that so long as the Security Agreement shall not have been discharged pursuant to Section 12.4 thereof, the Lessor hereby directs, and the Lessee agrees, that all payments of Rent and all other amounts payable to the Lessor hereunder (other than payments with respect to Excepted Rights in Collateral, which shall be paid to the Person entitled thereto) shall be paid directly to the Security Trustee at its office at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, or as the Security Trustee may otherwise direct, at such time so as to be received by the Security Trustee prior to 11:00 A.M. Wilmington, Delaware time on the date of payment.

(e) *Minimum Payments.* Notwithstanding anything to the contrary contained herein or in any other Operative Agreement, in all events and irrespective of any adjustment thereto, (i) the installment of Interim Rent payable on December 22, 1994 shall be at least equal to the amount of accrued interest due and payable on such date in respect of all Notes then outstanding less the amount paid in respect thereof by the Owner Participant, (ii) each installment of aggregate Fixed Rent payable with respect to all Items of Equipment then subject to this Lease on each Rent Payment Date shall be at least equal to the aggregate amount of the regularly scheduled payments of principal and accrued interest due and payable on such date in respect of all Notes then outstanding and (iii) each payment of Stipulated Loss Value and Termination Value (when added to all other amounts required to be paid by the Lessee under this Lease in respect of any Event of Loss or termination of this Lease) shall be at least equal to an amount sufficient, as of the date of payment, to pay in full the principal of, premium, if any, and interest on all Notes due under the Security Agreement on account of such Event of Loss or termination. Nothing in this Section 6(e)

shall be deemed to constitute a guarantee by the Lessee of the indebtedness evidenced by the Notes or a guarantee of the residual value of any Item of Equipment.

(f) *Adjustments to Rent.* The percentages for Fixed Rent, Stipulated Loss Value and Termination Value set forth in Exhibits C and D, have been calculated in part on the basis of the Pricing Assumptions. If any such Pricing Assumption proves to have been incorrect, then such percentages for Fixed Rent, Stipulated Loss Value and Termination Value shall be adjusted (upward or downward) so as to preserve Owner Participant's Net Economic Return. Any adjustments pursuant to this Section 6(f) shall (i) satisfy the provisions of Revenue Procedure 75-28 and any other applicable statutes, regulations, revenue procedures, revenue rulings or technical information releases relating to the subject matter of such Revenue Procedure, (ii) comply with the Guidelines, Section 467 of the Code and any regulations thereunder and any other published or announced position of the IRS with respect thereto, and in any event shall be made in a manner designed to avoid application of Section 467(b)(2) of the Code and any regulations thereunder or any other similar provision of Federal income tax law and not otherwise cause any adverse effect under any Federal income tax law in effect at the time of such adjustment, (iii) not adjust the Fixed Rent or the Stipulated Loss Values and Termination Values to an amount less than the Fixed Rent and Stipulated Loss Values and Termination Values required to enable the Lessor to satisfy in full its obligations to pay (A) in the case of Fixed Rent, the aggregate amount of the regularly scheduled payments of principal and interest due and payable on the applicable Rent Payment Date in respect of the Notes then outstanding and (B) in the case of any Stipulated Loss Value or Termination Value, to pay (when added to all other amounts required to be paid by the Lessee under this Lease in respect of any Event of Loss or termination of this Lease) the aggregate amount of principal of and interest on all Notes due under the Security Agreement on account of such Event of Loss or termination, (iv) to the extent possible and not inconsistent with the foregoing, minimize the net present value of the remaining Fixed Rent (using a discount rate equal to the interest rate on the Notes) to the extent the foregoing criteria are met (subject to the requirements of Section 6(e) hereof) and (v) be made on or prior to the First Closing Date except with respect to a change in the assumed Transaction Costs which shall be made on or prior to the Basic Term Commencement Date. The Lessor shall furnish to each holder of a Note and to the Security Trustee, at least ten days prior to any adjustment of the Fixed Rent, Stipulated Loss Values and Termination Values pursuant to this Section 6(f), revised schedules of such Fixed Rent, Stipulated Loss Values and Termination Values, as so adjusted in such form as is provided to the Lessor by the Owner Participant.

(g) *Computation of Adjustments.* (i) Upon the occurrence of an event requiring adjustments to the percentages for Fixed Rent, Stipulated Loss Value and Termination Value pursuant to Section 6(f), the Owner Participant shall make the necessary computations on a basis consistent with that used by the Owner Participant in the computation of the percentages for Fixed Rent, Stipulated Loss Value and Termination Value in connection with the execution and delivery of the Participation Agreement and this Lease, taking into account only the event giving rise to the adjustments. Subject to paragraph (ii) of this Section 6(g), such adjustments shall be effective on the date the Owner Participant shall have furnished to the Lessee a certificate signed on behalf of the Owner Participant by a responsible officer

confirming that such adjustments have been properly computed in accordance with the provisions of this Lease, and shall remain effective until changed in consequence of any inaccuracy discovered in the course of any verification procedure conducted pursuant to paragraph (ii) of this Section 6(g); *provided* that any such notice of adjustment shall be given to the Lessee at least 30 days prior to the Rent Payment Date next following such notice.

(ii) Within 30 days after the Owner Participant shall have provided the Lessee with a certificate pursuant to paragraph (i) of this Section 6(g), the Lessee (based on verification by Connell Finance Company, Inc.) either shall confirm the accuracy of such computation or shall notify the Owner Participant that the Lessee believes such computation, and the resulting adjustments proposed by the Owner Participant, are inaccurate. In the latter event, the Owner Participant and the Lessee agree to submit the matter to a nationally recognized independent accounting firm selected by the Owner Participant and reasonably acceptable to the Lessee, and the conclusion of such firm as to the proper adjustments shall be conclusive and binding on the Lessee, the Owner Participant and the Lessor. All expenses incurred by the Owner Participant and the Lessee in connection with the verification procedures described in this paragraph (ii) shall be paid by the Lessee, unless the adjustments of the percentages for Fixed Rent proposed by the Owner Participant shall exceed the actual adjustments of such percentages, properly computed and confirmed, by more than 5%, in which case all such expenses shall be paid by the Owner Participant. Each adjustment of the percentages for Fixed Rent, Stipulated Loss Value and Termination Value shall be evidenced by the execution and delivery of a supplement to this Lease in form and substance satisfactory to the Lessee, the Lessor and the Owner Participant, and shall be effective as provided herein without regard to the date on which such supplement to this Lease is so executed and delivered. So long as the Lien of the Security Agreement shall not have been discharged, copies of the certificates, proposed adjustments and final adjustments shall be forwarded by the Owner Participant to the Security Trustee.

SECTION 7. NET LEASE.

This Lease is a net lease and the Lessee acknowledges and agrees that the Lessee's obligations hereunder shall be absolute and unconditional under any and all circumstances and shall be paid without notice or demand and, except as contemplated in Section 6(a) hereof, but subject to Section 6(e) hereof, without any abatement, reduction, suspension, diminution, deferral, setoff, defense, counterclaim or recoupment whatsoever, including, without limitation, any abatement, reduction, suspension, diminution, deferral, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims which the Lessee may have against the Lessor, the Owner Participant, any assignee, the Security Trustee, any vendor or manufacturer of the Equipment or any part or Item thereof, the holders from time to time of the Notes, or any other Person, either under this Lease or otherwise, for any reason whatsoever; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the obligations of the Lessee be otherwise affected for any reason whatsoever, including any defect in or damage to or loss of possession or loss of use or destruction of the Equipment or any part or Item thereof, the condition, design, operation or fitness for use thereof, any Liens or rights of

others with respect to the Equipment or any part or Item thereof, any prohibition or interruption of or other restriction against the Lessee's use, operation or possession of the Equipment or any part or Item thereof, or any interference with such use, operation or possession by any Person or entity (including confiscation, requisition or other taking by any governmental authority, any Person acting under governmental authority or otherwise, or action of any public or private Person, whether by eviction by paramount title or for any other reason whatsoever), the invalidity or unenforceability or lack of due authorization of this Lease, or any other Operative Agreement, any defect in the title to, compliance with plans or specifications for condition, design or fitness for use of all or any of the Items of Equipment, any insolvency of or any bankruptcy, reorganization or other proceeding against the Lessee, the Lessor or any other Person, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention and agreement of the parties hereto, and the basis of the bargain, that (to the extent permitted by applicable law) Interim Rent, Fixed Rent, Renewal Rent, Supplemental Rent and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless and until the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease of any of the Items of Equipment except in accordance with the express terms hereof. Each Interim Rent, Fixed Rent, Renewal Rent, Supplemental Rent or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment (except for any excess payment made in error) from the Lessor, the Owner Participant, the Security Trustee, or any holder or former holder of a Note for any reason whatsoever.

Without limiting the generality of the foregoing, the Lessee covenants that it will remain obligated under this Lease in accordance with its terms, and will not take any action to terminate (except in accordance with the express provisions hereof), rescind or avoid this Lease for any reason, notwithstanding any insolvency, bankruptcy, reorganization or other proceeding affecting the Lessor or the Owner Participant, or any property of the Lessor or the Owner Participant, or any action which may be taken by any receiver, trustee or liquidator (or other similar official) or by any court.

Nothing in this Section or in any other provision of this Lease shall preclude any separate, independent claim (not by way of abatement or reduction of any amount at any time payable by the Lessee hereunder) by the Lessee for the breach of any representation, covenant, undertaking or agreement made herein and in any other Operative Agreement for the benefit of the Lessee by the Lessor, the Owner Participant or any other Person.

SECTION 8. LESSOR'S TITLE; EQUIPMENT TO BE AND REMAIN PERSONAL PROPERTY.

Title to the Equipment shall at all times remain in the Lessor and at no time during the Lease Term shall title become vested in the Lessee. This Lease is and is intended to be a true lease and not a lease intended as security or a lease in the nature of a security interest. The Lessee shall acquire no right, title or interest in or to the Equipment, except the right to use

the same pursuant to the terms of this Lease. It is the intention and understanding of both the Lessor and the Lessee that the Equipment shall be and at all times remain personal property and be treated as a lease for Federal income tax purposes.

SECTION 9. USE OF EQUIPMENT; COMPLIANCE WITH LAWS.

The Lessee shall pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Equipment during the Lease Term. The Lessee agrees that the Equipment will be used and operated solely in connection with its business and in compliance in all material respects with all statutes, laws, ordinances, rules and regulations of any Federal, state or local governmental body, agency or authority applicable to the use and operation of the Equipment. If such laws or rules require any alteration, replacement or addition of or to any part on any Item of Equipment, the Lessee will conform therewith at its own expense, except to the extent the Lessee is diligently pursuing a Contest with respect thereto. The Lessee agrees not to operate or locate any Item of Equipment, or to suffer any Item of Equipment to be operated or located, in any area excluded from coverage by any insurance policy required by the terms of Section 16 hereof or to operate or locate any Item of Equipment in such a manner as to violate the terms of any insurance policy required by the terms of said Section 16, except in the case of a requisition for use by the United States Government where the Lessee (or any sublessee) has obtained, prior to the operation or location of the Item of Equipment in such area, indemnification or insurance in lieu of such indemnification from the United States Government against the risks and in the amounts required by, and in compliance with, Section 16 hereof covering such area.

The Lessee shall procure and maintain in effect all licenses, registrations, certificates, permits, approvals and consents required by Federal, state or local laws or by any governmental body, agency or authority in connection with the use and operation of each Item of Equipment, including any instruments required by the AAR. Notwithstanding the foregoing sentence, however, the Lessee will cause this Lease and the Security Agreement to be filed and recorded with the ICC and the Registrar General of Canada in accordance with Section 20c of the Interstate Commerce Act and Section 90 of the Railway Act of Canada, and will do and perform any other act and will execute, acknowledge, deliver, file, register, deposit or record (and will refile, reregister, redeposit or re-record whenever required) this Lease and any and all amendments or supplements to this Lease, or otherwise with respect to or including any other Operative Agreement (other than the Tax Indemnification Agreement), in connection with any assignment or sublease pursuant to Section 13(a) or otherwise, any financing statements or similar instruments, and any and all further instruments required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to any Item of Equipment to the satisfaction of the Lessor and the Lessor's counsel or for the purpose of carrying out the intention of this Lease, including, without limitation, any such filings and recordings as shall be necessary to evidence any change in name of the Lessee or the Lessor, or any merger or consolidation thereof. The Lessee will pay all costs, charges, fees and expenses incident to any such filing, refile, registering, reregistering, depositing, redepositing, or recording and re-recording of any such instruments or incident to the taking of such action, other than the costs, charges, fees and expenses of the Owner Participant and the Owner Trustee in connection with any such

instruments requested by the Owner Participant solely for the benefit of the Owner Participant and not otherwise required under the Operative Agreements. This Lease shall be filed and recorded with the ICC prior to the delivery and acceptance hereunder of any Item and shall be filed with the Registrar General of Canada promptly thereafter.

The Equipment will at all times during the Lease Term be and remain in the possession and control of the Lessee or any operating railroad, subject to the terms of Section 13(a) hereof. The Lessee shall operate the Equipment and permit the Equipment to be located only in the contiguous forty-eight states of the United States and Canada. The Lessee shall not use and will not permit any other Person to use any Equipment or allow the same to be used for any unlawful purpose. The Lessee shall use and operate the Equipment or cause it to be used and operated only by personnel authorized by the Lessee, and the Lessee shall use every reasonable precaution to prevent loss or damage to each Item of Equipment from fire and other hazards. The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear; *provided*, that the Lessee shall not use the Equipment and shall not permit the Equipment to be used, other than as may result in connection with the transportation and storage of coal, petrocake or any by-products of coal or petrocake (including without limitation as a result of any treatment of such items in connection with such transportation and storage for freezing, dust conditioning or otherwise), to transport or store (a) Hazardous Materials or other substances or materials containing or contaminated by Hazardous Materials or (b) any materials that are materially more abrasive or corrosive than coal.

SECTION 10. MAINTENANCE AND REPAIR OF EQUIPMENT.

The Lessee shall, at its own expense, (a) maintain and keep the Equipment in good physical condition and working order consistent with prudent utility industry maintenance practice and suitable for interchange on the lines of Class I railroads, and as otherwise may be required by any insurance policies maintained pursuant to Section 16 or to enforce warranty claims against each vendor and manufacturer of each Item of Equipment, in each case ordinary wear and tear excepted; (b) maintain the Equipment in all material respects in accordance with the standards then in effect under (i) the Interchange Rules or similar successor guidelines of the AAR (the "*Interchange Rules*") so as to be suitable for interchange and (ii) applicable rules and regulations of the Federal Railway Administration, and at least equal to the standards of maintenance which the Lessee performs on similar equipment owned or leased by the Lessee, without discriminating in any way between equipment that is owned or leased; (c) comply in all material respects with all requirements of Federal, state and/or local law, rule and/or regulation applicable to the maintenance and condition of the Equipment; and (d) maintain the Equipment in good operating condition commercially suitable for carrying the commodities for which such Equipment was designed, ordinary wear and tear excepted.

SECTION 11. REPLACEMENTS; ALTERATIONS; MODIFICATIONS.

The Lessee shall, at its sole expense, make all alterations, modifications, additions or attachments required to comply in all materials respects with applicable law or standards required by any Federal, state or local governmental agency for the continued usefulness of the Equipment; *provided* that the Lessee shall not be required to make any such alternations, modifications, additions or attachments at any time when the Lessee is diligently pursuing a Contest with respect to such Equipment or such Equipment shall have suffered an Event of Loss. The Lessee may, at its sole expense, make other alterations, modifications, additions or attachments to the Equipment as it may deem desirable in the conduct of its business so long as (a) the value, utility or condition of the Equipment is not diminished materially below the value, utility, or condition thereof immediately prior to such alteration, modification, addition or attachment, assuming the Equipment was then in at least the condition and repair required to be maintained by the terms of this Lease, and (b) such alterations, modifications, additions or attachments do not cause any such Item to become a limited use property within the meaning of Revenue Procedure 76-30, 1976-2 C.B. 647 (or such other successor tax provision). So long as the value, utility and condition of the Equipment (exclusive of any such alterations, modifications, additions or attachments) is not reduced thereby, any such alteration, modification, addition or attachment, which was paid for by the Lessee and not reimbursed or otherwise compensated for by the Lessor, shall (subject to the last two sentences of this Section 11) remain the property of the Lessee and so long as no Event of Default under this Lease has occurred and is continuing may be removed by the Lessee prior to return of the Equipment pursuant to Section 5 hereof. If any alteration, modification, addition or attachment to an Item of Equipment (i) is a replacement of existing parts constituting part of the Items of Equipment, (ii) was made in the course of ordinary and proper maintenance of the Items of Equipment, (iii) is required by Federal, state or local law in order to permit the continued usefulness of the Equipment; or (iv) cannot physically be removed without material damage to the Equipment, it shall become the property of the Lessor, and shall be subject to all the terms of this Lease. Upon termination of this Lease, the Lessor shall have the option with respect to any Item of Equipment not described in the preceding sentence, (A) to purchase on an "*as is, where is*" basis from the Lessee any such alterations, modifications, additions or attachments to such Item of Equipment at the Fair Market Sales Value of such alterations, modifications, additions or attachments, as the case may be, or (B) require the Lessee to remove such alterations, modifications, additions or attachments at the Lessee's cost and expense such that the Item of Equipment does not have less than the value, utility and condition it would have had at such time if such alteration, modification, addition or attachment had not been made.

SECTION 12. IDENTIFICATION MARKS; INSPECTION.

The Lessee agrees, at the Lessee's cost and expense and on or before the Acceptance Date for each Item of Equipment, to place markings on the Equipment by stencil or by a metal tag or plate affixed thereto in letters not less than one inch in height, a legend substantially as follows:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH
THE INTERSTATE COMMERCE COMMISSION"

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title thereto and ownership thereof and the Security Trustee's security interest therein; *provided, however*, that such identification markings are to be placed so as not to interfere with the usefulness and utility of such Item of Equipment. If during the Lease Term any such identification marking shall be defaced or destroyed, the Lessee shall cause such defaced or destroyed identification marking to be restored or replaced. The Lessee will cause each Item of Equipment to be kept numbered with the reporting marks and road numbers as shall be set forth in any Lease Supplement hereto extending this Lease to cover such Item of Equipment. The Lessee shall not allow the name of any other Person to be placed on any Item of Equipment as a designation that might be identified as a claim of ownership or any other interest therein; *provided*, that nothing herein contained shall prohibit the Lessee or its permitted sublessees from placing its customary colors, initials and insignia on any Item of Equipment or from naming each Item of Equipment. The Lessee will not change the reporting marks or road numbers of any Item of Equipment unless and until (a) a statement of a new reporting mark and road number to be substituted therefor shall have been delivered to the Security Trustee and the Lessor and filed, recorded and deposited by the Lessee in all appropriate public offices, including the public offices where this Lease and the Security Agreement shall have been filed, recorded and deposited, and (b) the Lessee shall have furnished the Lessor and the Security Trustee an opinion of counsel in form and substance reasonably satisfactory to them to the effect that such statement has been so filed, recorded and deposited and that such filing, recordation and deposit will protect the Lessor's interest in such Items of Equipment and the security interest of the Security Trustee under the Security Agreement. Upon the reasonable request of the Lessor, the Lessee, upon reasonable written notice and at such time and locations as the Lessee shall reasonably designate, shall make the Equipment available to the Lessor for inspection and the Lessee, upon at least two Business Days prior written notice, shall also make the Lessee's records pertaining to the Equipment reasonably available to the Lessor for inspection, it being understood and agreed that the Lessor shall have no obligation to make such inspection and shall incur no liability for failure to do so. During the continuance of a Default or an Event of Default under this Lease, such inspection shall be at the Lessee's expense. Any Person inspecting any of the Equipment or otherwise entering Lessee's property or any other location where the Equipment may be located or stored shall enter at its sole risk and shall be subject at all times to any operating and safety requirements of the Lessee and any other operator or owner of such location. Except to the extent of the willful misconduct or gross negligence of the Lessee, any injury, death or property damage arising out of such entry, occupancy or inspection shall be the entire responsibility of such Person and such Person will indemnify and hold harmless the Lessee and any other operator or owner of any such location from any and all such liabilities. As a condition to any such entry, any such Person may be required to execute a release of liabilities in favor of the Lessee and any other operator or owner of any such location in form and substance reasonably satisfactory to the Lessee and any other such operator or owner.

SECTION 13. ASSIGNMENTS AND SUBLEASES.

(a) *Sublease and Assignment by the Lessee.*

(i) So long as no Default or Event of Default under this Lease shall have occurred and be continuing, the Lessee may assign or transfer any of its rights and obligations in this Lease and the other Operative Agreements to other entities; *provided* that the Lessee shall remain primarily obligated under this Lease and the other Operative Agreements and (A) such assignee or transferee shall assume the obligations of the Lessee under this Lease and the other Operative Agreements to the extent so assigned, (B) immediately after giving effect to such assignment or transfer no Default or Event of Default under this Lease shall have occurred and be continuing, and (C) the financial and operating condition of the assignee (if other than an Affiliate of the Lessee) is not less favorable than the financial and operating condition of the Lessee on the First Closing Date. Such assignment or transfer shall be subject to the Lessors' and, so long as the Lien of the Security Agreement has not been discharged, the Security Trustee's approval or approvals, which approval or approvals shall not be unreasonably withheld.

(ii) So long as no Default or Event of Default under this Lease shall have occurred and be continuing, the Lessee may enter into Permitted Subleases; *provided* that (A) all Permitted Subleases and the rights and interests of any sublessee shall be subject and subordinate to this Lease and the rights of the Lessor and the Owner Participant hereunder and, so long as the Lien of the Security Agreement shall not have been discharged, to the rights and remedies of the Security Trustee under the Security Agreement, and (B) all Permitted Subleases shall require the use and maintenance (and return if at the end of the Lease Term) of the Equipment in conformance with this Lease. In no event shall any sublessee be permitted to sub-sublease any of its rights under this Lease or any of the other Operative Agreements other than for Permitted Short-Term Subleases. Notwithstanding the sublease of any Item of Equipment pursuant to this Section 13(a)(ii), the Lessee shall not be relieved of any of its obligations hereunder or under any of the other Operative Agreements, and the Lessee shall in all circumstances, perform and observe or cause to be performed and observed all of the terms, conditions and provisions of this Lease.

(b) *Transfers by the Lessor or the Owner Participant.* The Lessor and the Owner Participant shall not be entitled to transfer their respective interests in this Lease and the Trust Estate other than the assignment of this Lease by the Lessor to the Security Trustee pursuant to the Security Agreement except in compliance with Section 3.11 of the Trust Agreement, with respect to the Lessor, and Section 3.6(d) of the Participation Agreement, with respect to the Owner Participant. No such transfer by the Lessor or the Owner Participant shall interfere with the Lessee's rights under this Lease with respect to the Lessee's use of the Items of Equipment. The Lessee shall provide such information concerning the location of the Equipment as the Lessor may reasonably request in connection with any such transfer.

Upon written notice by the Lessor to the Lessee of any such sale or assignment, the Lessee shall thereafter make payments of all Fixed Rent and other sums due hereunder to the party specified in such notice and such payments shall discharge the obligation of the Lessee to the Lessor hereunder to the extent of such payments. The Lessee shall be under no obligation to any assignee of the Lessor, except upon written notice of such assignment to the Lessee. The Lessee hereby acknowledges and consents to the security interest and other rights and interests granted to the Security Trustee pursuant to the Security Agreement. Such notice is hereby given of the assignment of this Lease and all Rent and other payments to be made to the Lessor hereunder (other than Excepted Rights in Collateral) to the Security Trustee under and pursuant to the Security Agreement, and the Lessee agrees to make all payments of Rent in accordance with the provisions of Section 6(d). Upon any such sale or assignment under this Section 13(b), the Lessee shall not be required to execute any documents in connection therewith other than a form of acknowledgment, any required Uniform Commercial Code Financing Statements or any filings required by the ICC or AAR. Any expenses incurred in connection with any such sale or assignment shall be borne solely by the Lessee if an Event of Default under this Lease has occurred and is continuing, otherwise solely by the Lessor. The Lessee shall not be required to prepare any documents in connection with any such sale or assignment.

SECTION 14. LIENS.

Assuming that the Lease has been filed with the ICC, the Lessee represents and warrants to the Lessor that at the time an Item of Equipment is accepted by it under the Lease, such Item will be free and clear of all Liens except Permitted Encumbrances described in clauses (i) and (iv) of the definition thereof, it being understood that a claim by the Seller against the Equipment, even if not 30 days past due, is not a Permitted Encumbrance. The Lessee will not create, incur, assume or suffer to exist any Lien on or with respect to the Equipment or any part or Item thereof, the Lessor's title thereto, or any interest therein, except Permitted Encumbrances. The Lessee, at its own expense, will pay, satisfy and otherwise take such actions as may be necessary to keep the Equipment free and clear of, and to duly discharge or eliminate or bond in a manner satisfactory to the Lessor, any such Lien other than Permitted Encumbrances if the same shall arise at any time during the Lease Term. The Lessee will notify the Lessor upon becoming aware of any tax or other Lien (other than any Lien excepted above) that shall attach to the Equipment or any Item of Equipment.

SECTION 15. LOSS, DAMAGE OR DESTRUCTION.

(a) *Risk of Loss, Damage or Destruction.* The Lessee hereby assumes all risk of loss, damage, theft, taking, destruction, confiscation or requisition, partial or complete, of or to each Item of Equipment, however caused or occasioned, such risk to be borne by the Lessee with respect to each Item of Equipment from the Acceptance Date, and continuing until the expiration or early termination of the Lease Term. So long as no Event of Default under this Lease has occurred and is continuing, the Lessee shall be entitled to make all claims and proofs of loss, damage, theft, taking, destruction, confiscation or requisition,

partial or complete, with respect to each Item of Equipment and take all other steps necessary to collect the proceeds thereof, including without limitation any interline settlement under the AAR. The Lessee shall promptly notify the Lessor of any loss or damage (other than any such loss or damage which constitutes an Event of Loss) to any Item or Items of Equipment where such loss or damage is estimated to exceed the amount of self-insurance or deductible amount maintained by the Lessee pursuant to and in accordance with Section 16 hereof. The Lessee shall, within 90 days of notifying the Lessor of such loss or damage, notify the Lessor whether the Lessee intends to repair such Item or Items of Equipment and, if so, provide the Lessor with an estimated cost and time frame with respect to such repairs.

(b) *Replacement or Payment of Stipulated Loss Value upon an Event of Loss.* If an Event of Loss occurs with respect to an Item or Items of Equipment during the Lease Term, the Lessee shall, within 45 days after the occurrence of such Event of Loss, inform the Lessor and the Owner Participant in regard thereto and of its election to perform one of the following options (it being agreed that if the Lessee shall not have given notice of such election within 45 days after such notice of such occurrence or if a Default or an Event of Default then exists, the Lessee shall be obligated to perform the option set forth in the following subparagraph (b)(ii)):

(i) as promptly as practicable, and in any event on or before the Business Day next preceding the 180th day following the date of such notice, in replacement for such Item of Equipment, the Lessee shall comply with Section 15(c) hereof and shall convey or cause to be conveyed to the Lessor a Replacement Item to be leased to the Lessee hereunder, such Replacement Item to be free and clear of all Liens (other than Permitted Encumbrances referred to in clauses (i) and (iv) of the definition of such term), to be of the same type and no greater age and the same or improved make and model to the Item so replaced and to have a fair market value, utility, remaining useful life and expected residual value at least equal to the Item so replaced (but in all events such Item shall be in the condition and maintenance required to be maintained by the terms of this Lease); *provided that*, as a condition to the Lessee's election to replace any Item of Equipment pursuant to this subparagraph (b)(i), on the Rent Payment Date next following such notice of such Event of Loss, the Lessee shall pay an amount equal to the Stipulated Loss Value for such Item (computed as of such Rent Payment Date) (the "*Replacement Escrow Amount*") to the Lessor or, so long as the Lien of the Security Agreement shall not have been discharged, to the Security Trustee to be held in escrow (but as part of the Collateral) pending the replacement of such Item in compliance with this subparagraph (b)(i) and Section 15(c) hereof (it being agreed that, upon the replacement of such Item in compliance with this subparagraph (b)(i) and Section 15(c) hereof, such Replacement Escrow Amount shall be returned to the Lessee); and *provided further* that if the Lessee shall not perform its obligation to effect such replacement under this subparagraph (b)(i) during the period of time provided herein, then the Lessee shall pay, on the next succeeding Rent Payment Date after the end of such period, to the Lessor or, so long as the Lien of the Security Agreement shall not have been discharged, the Security Trustee or, in the case of Supplemental Rent, to the Person entitled thereto, (A) the

Stipulated Loss Value for such Item (computed as of such Rent Payment Date), *plus* (B) the Fixed Rent and any Supplemental Rent due for such Item of Equipment on such Rent Payment Date, *plus* (C) all accrued and unpaid Fixed Rent and any Supplemental Rent owing for such Item of Equipment through any prior Rent Payment Date and simultaneously therewith the Lessor or the Security Trustee, as the case may be, shall return the Replacement Escrow Amount to the Lessee; or

(ii) on the Rent Payment Date next following such notice of such Event of Loss, Lessee shall pay (A) the Stipulated Loss Value for such Item (computed as of such Rent Payment Date), *plus* (B) the Fixed Rent and any Supplemental Rent due for such Item of Equipment on such Rent Payment Date, *plus* (C) all accrued and unpaid Fixed Rent and any Supplemental Rent owing for such Item of Equipment through any prior Rent Payment Date.

(c) *Disposition of Equipment; Replacement of Item.* (i) Upon payment in full of the amounts described in the last proviso of Section 15(b)(i) or Section 15(b)(ii), (A) the obligation of the Lessee to pay Fixed Rent hereunder with respect to such Item or Items of Equipment for all periods commencing after the date of the payment of such amounts shall terminate and the Lease Term of such Item or Items shall thereupon terminate, (B) the Lessee shall request the Lessor to, and the Lessor shall, execute a release with respect to such Item or Items of Equipment releasing such Equipment from the Lease and shall request the Lessor to and the Lessor shall request the Security Trustee, so long as the Lien of the Security Agreement shall not have been discharged, to execute a release with respect to such Item or Items of Equipment releasing such Equipment from the Lien of the Security Agreement and (C) at the option of the Lessee, either (1) the Lessor shall convey to the Lessee or, upon request of the Lessee to the Lessee's designee, such Item or Items on an "*as is*" basis, representing only that the Lessor is transferring whatever title was transferred to it free and clear of all Liens in favor of any Person claiming by, through or under the Lessor, and shall execute and deliver to the Lessee or, upon request of the Lessee, to the Lessee's designee, such documents and instruments as the Lessee or its designee may reasonably request to evidence such conveyance, or (2) the Lessee shall, as agent for the Lessor, as soon as practicable, dispose of such Item or Items of Equipment in a manner reasonably acceptable to the Lessor. As to each separate Item which is not replaced as provided in this Section 15, so long as no Default or Event of Default under this Lease shall have occurred and be continuing, any payments received by the Lessor or by the Lessee from any insurer or other party (except the Lessee) as a result of the occurrence of such Event of Loss will be applied in reduction of the Lessee's obligation to pay the amounts described in the last proviso of Section 15(b)(i)(A) or Section 15(b)(ii)(A), if not already paid by the Lessee, or, if already paid by the Lessee, will be applied to reimburse the Lessee for its payment of such amount, and any such payments in excess of the amounts described in the last proviso of Section 15(b)(i)(A) or Section 15(b)(ii)(A) shall be paid to or retained by the Lessor, and after the occurrence and continuance of a Default or an Event of Default under this Lease such payments shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor; *provided however*, that in either case the Lessee shall be entitled to share in any excess such that the Lessee's share will be calculated as the product of (x) any excess of the amounts

described above and (y) one minus a fraction having as its numerator the number of years equal to the sum of the Basic Term and all Renewal Terms for which the Lessee, on the date of availability of any such excess funds, has exercised its renewal option, together with any fractions thereof, which have elapsed to the date of availability of any such excess funds and a denominator equal to the total number of years of the Basic Term and all Renewal Terms for which the Lessee, on the date of availability of any such excess funds, has exercised its renewal option.

(ii) At the time of or prior to any replacement of any Item, the Lessee, at its own expense, will (A) furnish the Lessor with a bill of sale and an assignment of warranties with respect to the Replacement Item which bill of sale shall warrant that good and marketable title to such Replacement Unit has been delivered to the Lessor free and clear of all Liens (other than Permitted Encumbrances referred to in clauses (i) and (iv) of the definitions of such term), (B) cause a Lease Supplement substantially in the form of Exhibit B hereto, subjecting such Replacement Item to this Lease, duly executed by the Lessee, to be delivered to the Lessor for execution and, upon such execution, to be filed for recordation in the same manner as the original Lease Supplement, (C) so long as the Lien of the Security Agreement shall not have been discharged, cause a Security Agreement Supplement substantially in the form of Exhibit B to the Security Agreement for such Replacement Item, to be delivered to the Lessor and to the Security Trustee for execution and, upon such execution, to be filed for recordation in the same manner as the original Security Agreement Supplement, (D) so long as the Lien of the Security Agreement shall not have been discharged, cause a financing statement or statements with respect to the Replacement Item to be filed in such place or places as necessary in order to perfect the security interest therein created by or pursuant to the Security Agreement and precautionary Uniform Commercial Code financing statements naming the Lessee as debtor, the Owner Trustee as secured party and the Security Trustee as assignee of the secured party to be filed in such public offices as are deemed necessary or appropriate by the Security Trustee, the Owner Trustee and the Owner Participant to perfect the right, title and interest of the Security Trustee as assignee of the Owner Trustee in the Replacement Unit, (E) furnish the Lessor with an opinion of the Lessee's counsel (which opinion shall be reasonably satisfactory to the Lessor), to the effect that (1) the bill of sale referred to in clause (A) above is legal, valid, binding and effective to transfer, and does transfer, title to the Replacement Item to the Lessor and (2) all filings, recordings and other action necessary or appropriate to perfect and protect the Lessor's and the Security Trustee's respective interests in the Replacement Item have been accomplished (F) at Lessee's option, furnish the Lessor with either (i) an opinion of the tax counsel selected by the Lessor and reasonably acceptable to the Lessee that the Lessor will not suffer any adverse tax consequences as a result of the Event of Loss and such replacement or (2) an indemnity (in form and substance satisfactory to the Lessor and from a Person with a creditworthiness acceptable to the Lessor) as may be required by the Lessor to save the Lessor harmless from any adverse tax consequences as a result of the Event of Loss and such replacement and (G) furnish the Lessor with a certificate of a qualified independent appraiser (or such other Person as shall be mutually agreed to by the Lessee and the Lessor and, if so mutually agreed to, may be the system chief mechanical officer of the Lessee) certifying that the Replacement Item has a fair market value, utility, remaining useful life and expected residual value at least equal to the Item so replaced (but in all events such Item shall be in the

condition and maintenance required to be maintained by the terms of this Lease) and setting forth a reasonable basis for such conclusion in reasonable detail. For all purposes hereof, upon passage of title thereto to the Lessor, the Replacement Item shall be deemed part of the property leased hereunder and the Replacement Item shall be deemed an "Item" of Equipment as defined herein. Upon passage of title to any Item of Equipment, in connection with the replacement of such Item of Equipment (x) the obligation of the Lessee to pay Fixed Rent hereunder with respect to such Item of Equipment for all periods commencing after the date the Replacement Unit is subjected to this Lease shall terminate and the Lease Term of such Item shall thereupon terminate, (y) the Lessee shall request the Lessor to, and the Lessor shall, execute a release with respect to such Item of Equipment releasing such Item from this Lease and shall request the Lessor to, and the Lessor shall, request the Security Trustee, so long as the Lien of the Security Agreement shall not have been discharged, to execute a release with respect to such Item of Equipment releasing such Item from the Lien of the Security Agreement and (z) at the option of the Lessee, either (i) the Lessor shall convey to the Lessee or, upon request of the Lessee to the Lessee's designee, such Item on an "as is" basis, representing only that the Lessor is transferring whatever title was transferred to it free and clear of all Liens in favor of any Person claiming by, through or under the Lessor, and shall execute and deliver to the Lessee or, upon request of the Lessee, to the Lessee's designee, such documents and instruments as the Lessee or its designee may reasonably request to evidence such conveyance, or (ii) the Lessee shall, as agent of the Lessor as soon as practical, dispose of such Item of Equipment in a manner reasonably acceptable to the Lessor. Until such transfer, all of the provisions of this Lease shall continue in effect with respect to such Item of Equipment (including the payment of Rent with respect to such Item). As to each separate replaced Item, the Lessee or its designee shall be entitled to any awards, insurance or other proceeds and damages received by the Lessee, the Lessor or the Security Trustee with respect to such replaced Item after having replaced such Item, *provided* that if at the time such awards, insurance or other proceeds or damages shall be due to the Lessee from the Lessor or the Security Trustee a Default or an Event of Default under this Lease shall have occurred and be continuing, such awards, insurance or other proceeds or damages shall not be paid over to the Lessee until such Default or Event of Default under this Lease shall have been cured.

(d) *Application of Payments Not Relating to an Event of Loss.* So long as no Default or Event of Default under this Lease shall have occurred and be continuing, any payments (including, without limitation, insurance proceeds) received at any time by the Lessor or the Lessee from any governmental authority or other party with respect to any loss or damage to any Item or Items of Equipment not constituting an Event of Loss will be applied directly in payment of repairs or for replacement of property in accordance with the provisions of Sections 10, 11 and 16 hereof, if not already paid by the Lessee, or if already paid by the Lessee, shall be applied to reimburse the Lessee for such payment, and any balance remaining after compliance with said Sections with respect to such loss or damage shall be retained by the Lessor, and after the occurrence and during the continuance of a Default or an Event of Default under this Lease such payments shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor *provided however*, that in either case the Lessee shall be entitled to share in any excess such that the Lessee's share will be calculated as the

product of (x) any excess of the amounts described above and (y) one minus a fraction having as its numerator the number of years equal to the sum of the Basic Term and all Renewal Terms for which the Lessee, on the date of availability of any such excess funds, has exercised its renewal option, together with any fractions thereof, which have elapsed to the date of availability of any such excess funds and a denominator equal to the total number of years of the Basic Term and all Renewal Terms for which the Lessee, on the date of availability of any such excess funds, has exercised its renewal option. The Lessee's obligation to pay all installments of Rent and other sums shall continue for the duration of such requisitioning or taking unless and until the same shall become an Event of Loss and notwithstanding anything to the contrary contained in this Lease, the Lessee may retain for its own purposes all payments made by any Person with respect to such period of requisitioning or taking.

SECTION 16. INSURANCE.

(a) *Property Damage and Public Liability Insurance.* As part of an insurance program including, to the extent provided herein, risk retention and self-insurance, the Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (i) property damage insurance in respect of the Equipment at the time subject hereto, (ii) public liability insurance with respect to third-party personal and property damage, and (iii) insurance against environmental liability and risk, and the Lessee will continue to carry such insurance in such amounts and with such deductibles and for such risks and with such insurance companies and subject to such self-insurance by the Lessee to the extent permitted below consistent with prudent utility industry practice by utility companies of comparable financial position, but in any event not less comprehensive in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in type to the Equipment.

(b) *Self-Insurance.* The Lessee may from time to time self-insure in accordance with its then-current fleet wide practice by way of deductible, premium adjustment or franchise provisions or otherwise in respect of the insurance policies covering the risks required to be insured against pursuant to this Section 16; *provided, however*, that during any period when (i) the Lessee's first mortgage bonds or if no such bonds are outstanding any similar secured debt security issued by the Lessee is rated lower than "Baa" by Moody's Investors Service, Inc., lower than "BBB" by Standard & Poor's Corporation, or lower than the equivalent of either thereof by any other nationally recognized rating agency, or (ii) no such debt security is outstanding or rated, the public liability insurance required hereunder shall provide a minimum coverage of \$50,000,000 and the Lessee may not so self-insure in aggregate policy year amounts in excess of \$10,000,000. The Lessee shall give the Lessor not less than 90 days' prior written notice of the commencement of any self-insurance program permitted by this Section 16, which notice shall include such details about such self-insurance as the Lessor may reasonably request. In addition, the Lessee shall cooperate with all reasonable requests of the Lessor for such information and documentation about such self-insurance program prior to the commencement thereof. All such self-insurance assumed by the Lessee pursuant to this Section 16 in respect of property damage and public liability shall not be in amounts materially greater than that under any other insurance

coverage in respect of any railcar owned, operated or leased by the Lessee or any Affiliate of the Lessee. Upon request by the Lessor, the Lessee shall use reasonable commercial efforts, at the Lessor's sole cost and expense for premiums, to arrange for and place insurance coverage on the Equipment for the benefit of the Lessor, under then-existing policies and with the Lessee's then-existing insurance brokers with deductibles, coverages and other terms as the Lessor shall request.

(c) *Policies of Insurance.* Any such insurance policies shall: (i) name and insure the Lessor, in its individual and trust capacities, the Owner Participant, the Security Trustee and each holder of a Note as additional insureds under the comprehensive public liability insurance and under the property insurance, (ii) insure the Security Trustee or, in the event the Lien of the Security Agreement has been discharged, the Lessor, as sole loss payee under a standard loss payee clause reasonably satisfactory to the Security Trustee or the Lessor, as the case may be, under the property insurance, (iii) with respect to property insurance, provide insurer's waiver of its right of subrogation, set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability against any additional insured except for claims as shall arise from the willful misconduct or gross negligence of such additional insured, (iv) provide that such insurance as to the interest of the Lessor, the Owner Participant, the Security Trustee and each holder of a Note shall not be invalidated by any action or inaction of the Lessee or any other Person (other than such claimant), regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or any other Person (other than such claimant), (v) provide that all such insurance is primary without right of contribution from any other insurance which might otherwise be maintained by the Lessor or any assignee under Section 13(b) and shall expressly provide that all provisions except the limits of liability, shall operate in the same manner as if there were a separate policy covering each such additional insured, (vi) provide therein or by endorsement that 30 days prior written notice of expiration, cancellation or modification shall be given to the Lessor, the Owner Participant, the Security Trustee and each holder of a Note and shall provide that such cancellation, change or modification shall not be effective during such 30 day period as to any of the Lessor, the Owner Participant, the Security Trustee and each holder of a Note, and (vii) provide that no additional insured shall have any obligation or liability for premiums in connection with such insurance.

(d) *Certificates of Insurance.* The Lessee shall furnish the Lessor, the Owner Participant, the Security Trustee and each holder of a Note with certificates or other reasonably satisfactory evidence of maintenance of the insurance so required and shall furnish binders or other formal confirmation reasonably acceptable to the Lessor evidencing renewals thereof as soon as practicable but in no event later than three Business Days prior to such renewal and certificates of insurance within 20 days after such renewal is effected or the expiration date of the original policy or policies, as the case may be. All other terms of insurance shall be in all material respects in accordance with such insurance carried by the Lessee or its Affiliates with respect to other railcars in its fleet. Upon the execution and delivery of this Lease, certificates of the insurance coverage required by this Section 16 shall be delivered by the Lessee to the Lessor, the Security Trustee and the initial Note Purchaser. The Lessee shall furnish written notice to the Lessor, the Owner Participant, the

Security Trustee and each holder of a Note of any notice of cancellation, material modification, termination or lapse for non-payment of premiums with respect to any of the liability insurance provided pursuant to this Section 16 within five Business Days after the earlier of (i) the date on which the Lessee receives such notice from the insurance company providing such insurance, and (ii) the date on which the Lessee has actual knowledge of any such cancellation, material modification, termination or lapse for non-payment of premiums.

(e) *Insurance Proceeds.* If the loss (or losses from a single incident or cause) covered by said physical damage insurance is less than \$1,000,000, the proceeds of such insurance shall be payable to the Lessee provided that no Default or Event of Default under this Lease shall have occurred and be continuing and after the occurrence and continuance of a Default or an Event of Default under this Lease such proceeds shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. If such loss equals or exceeds \$1,000,000, the proceeds of such insurance shall be payable to the Security Trustee or, in the event that the Lien of the Security Agreement shall have been discharged, the Lessor provided that the Security Trustee or the Lessor, as the case may be, shall, so long as no Default or Event of Default under this Lease has occurred or is then continuing, (i) remit all such insurance proceeds to the Lessee at such time as the Lessee either (A) provides the Lessor evidence that the damage has been repaired and the Equipment has been restored to good working order and condition or (B) has paid to the Lessor or the Security Trustee, as the case may be, the amounts otherwise due to the Lessor on loss of such Equipment pursuant to Section 15(b) hereof or (ii) upon receipt of an invoice from the Person making such repair and evidence that the damage has been repaired and the Equipment has been restored to good working order and condition, pay that portion of the insurance proceeds to such Person in satisfaction of such invoice and remit the remainder of all such insurance proceeds to the Lessee. The Lessee's obligation to maintain insurance with respect to any Item of Equipment shall commence on the Acceptance Date of such Item of Equipment and shall run until the earliest to occur of (1) the date on which such Item of Equipment is sold, pursuant to Section 19 hereof, (2) the termination of this Lease with respect to such Items of Equipment pursuant to and in accordance with Section 27 hereof, or (3) the return of the Equipment to the Lessor in accordance with Section 5 hereof. The Lessee covenants that it will not use or operate or permit the use or operation of any Item of Equipment at any time when the insurance required by this Section 16 is not in force with respect to such Item of Equipment and will not use the Equipment in a manner which would violate the terms and provisions of such insurance policies. If the Lessee shall fail to cause the insurance required under this Section 16 to be carried and maintained, the Lessor may provide such insurance and the Lessee shall reimburse the Lessor upon demand for the cost thereof as Supplemental Rent hereunder.

(f) *Additional Insurance.* Nothing in this Section 16 shall prohibit the Lessor, the Owner Participant, the Security Trustee or any holder of a Note from obtaining insurance for its own account and any proceeds payable thereunder shall be as provided in the insurance policy relating thereto; *provided* that no such insurance may be obtained that would limit or otherwise adversely affect the coverage of any insurance to be obtained or maintained by the Lessee pursuant to this Section 16.

SECTION 17. NO WARRANTIES.

THE LESSEE LEASES THE EQUIPMENT AS-IS, WHERE-IS WITH ALL FAULTS, AND IN WHATEVER CONDITION IT MAY BE. NEITHER THE LESSOR, NOT BEING THE MANUFACTURER OR VENDOR OF THE EQUIPMENT, NOR THE OWNER PARTICIPANT NOR THE SECURITY TRUSTEE NOR ANY HOLDER OF ANY NOTE MAKES OR HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE, ANY REPRESENTATIONS OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER (EXCEPT AS SET FORTH IN SECTIONS 3.1, 3.3, 3.4, 3.6 AND 8 OF THE PARTICIPATION AGREEMENT AND SECTIONS 15, 22 AND 27 OF THIS LEASE), INCLUDING, WITHOUT LIMITATION, THE DESIGN, OPERATION OR CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, VALUE, DURABILITY, SUITABILITY OR ITS FITNESS FOR ANY PARTICULAR USE OR PURPOSE, THE LESSOR'S TITLE THERETO, THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE EQUIPMENT, OR THE CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, AND EACH OF THE LESSOR, THE OWNER PARTICIPANT AND THE SECURITY TRUSTEE HEREBY DISCLAIMS ANY SUCH REPRESENTATION OR WARRANTY (EXCEPT THOSE SET FORTH IN SECTIONS 3.1, 3.3, 3.4, 3.6 AND 8 OF THE PARTICIPATION AGREEMENT AND SECTIONS 15, 22 AND 27 OF THIS LEASE) WHICH DISCLAIMER THE LESSEE HEREBY ACKNOWLEDGES. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, NEITHER THE LESSOR NOR THE OWNER PARTICIPANT NOR THE SECURITY TRUSTEE NOR ANY HOLDER OF ANY NOTE SHALL BE LIABLE OR RESPONSIBLE FOR ANY DEFECTS, EITHER PATENT OR LATENT (WHETHER OR NOT DISCOVERABLE BY THE LESSEE), IN THE EQUIPMENT, OR FOR ANY INTERRUPTION IN THE LESSEE'S BUSINESS CAUSED BY THE LESSEE'S INABILITY TO USE THE EQUIPMENT FOR ANY REASON WHATSOEVER, ALL OF WHICH ITEMS OF EQUIPMENT WERE SELECTED BY THE LESSEE ON THE BASIS OF ITS OWN JUDGMENT WITHOUT RELIANCE UPON ANY STATEMENTS, REPRESENTATIONS OR WARRANTIES MADE BY THE OWNER TRUSTEE, THE OWNER PARTICIPANT OR THE SECURITY TRUSTEE, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR, WHETHER IN ITS INDIVIDUAL CAPACITY OR AS TRUSTEE, THE OWNER PARTICIPANT, THE SECURITY TRUSTEE AND THE HOLDER OF ANY NOTE ON THE ONE HAND AND THE LESSEE ON THE OTHER HAND, ARE TO BE BORNE BY THE LESSEE.

Neither the Lessor, the Owner Participant, the Security Trustee nor any holder of any Note shall have any responsibility or liability to the Lessee or any other Person with respect to any of the following: (a) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (b) the use, operation or performance of any Item of Equipment or any risks relating thereto; (c) any interruption of service, loss of business or anticipated profits or consequential damages; or (d) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment. The Lessee's delivery of a Lease Supplement relating to an Item of Equipment shall be conclusive evidence as between the Lessee and the Lessor that such Item of Equipment is in all respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against Lessor, the Owner Participant, the Security Trustee or any holder of any Note based on any of the foregoing matters.

So long as an Event of Default under this Lease shall not have occurred and be continuing, and so long as the Equipment shall be subject to this Lease and the Lessee shall be entitled to possession of the Equipment hereunder, the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, all rights and powers of the Lessor under any manufacturer's, vendor's or dealer's warranty on the Equipment or any part thereof; *provided, however*, that the Lessee shall indemnify, protect, save, defend and hold harmless the Lessor from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection therewith, as a result of, or incident to, any action by the Lessee pursuant to the foregoing authorization, and that the Lessee shall provide the Lessor with prior written notice of any legal proceeding the Lessee proposes to bring on the Lessor's behalf pursuant to the foregoing authorization. Any payments made by any such vendor or manufacturer pursuant to such warranty for any Item of Equipment shall be payable to the Lessee so long as no Default or Event of Default under this Lease shall have occurred and be continuing and after the occurrence and during the continuance of a Default or an Event of Default under this Lease shall be paid to the Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to the Lessor. Such payment is to be used to repair or replace damaged components in accordance with Section 11 hereof, if feasible, to reimburse the Lessee for any repair or replacement previously made by the Lessee and paid for the Lessee and to pay the Lessee's reasonable fees and expenses incurred in collecting such payments, and if not used, such amount shall be paid promptly to the Lessor.

SECTION 18. EVENTS OF DEFAULT.

Any of the following events shall constitute an Event of Default under this Lease:

(a) The Lessee shall fail to make any payment of Interim Rent, Fixed Rent, Stipulated Loss Value, Termination Value or Make Whole Premium within 5 Business Days after the same is due and payable or any Supplemental Rent (other than Stipulated Loss Value or Termination Value or Make Whole Premium) within 30 days after receipt of written notice by the Lessee; or

(b) The Lessee shall fail to observe or perform any of the covenants or agreements of the Lessee set forth in Section 16(a) or (b); or

(c) any representation or warranty made by the Lessee herein or in any other Lessee Agreement (other than the Tax Indemnification Agreement) or any certificate furnished in connection herewith or therewith shall prove to have been incorrect in any material respect when such was made and such representation or warranty shall remain incorrect in any material respect for 30 days after receipt of written notice by the Lessee specifying such incorrectness and demanding that the same be corrected; *provided that*, no such default shall be deemed an Event of Default under this Lease if (i) such default is curable other than by the payment of money but cannot be cured within such 30 day period, (ii) such default does not impair in any material respect the Lessor's interest in the Equipment or the security interest of the Security Trustee created pursuant to the Security Agreement, and (iii) the Lessee is diligently pursuing

such cure and effects such cure within 180 days of the date of such default or before the last day of the Lease Term, whichever shall occur first; or

(d) The Lessee shall fail to perform or observe any covenant, condition, or agreement to be performed or observed by it hereunder or under any other Lessee Agreement, or in any agreement or certificate furnished in connection herewith or therewith, and such failure shall continue unremedied for 30 days after receipt of written notice by the Lessee specifying such failure and demanding the same to be remedied; *provided* that, no such default shall be deemed an Event of Default under this Lease if (i) such default is curable other than by the payment of money but cannot be cured within such 30 day period, (ii) such default does not impair in any material respect the Lessor's interest in the Equipment or the security interest of the Security Trustee created pursuant to the Security Agreement, and (iii) the Lessee is diligently pursuing such cure and effects such cure within 180 days of the date of such default or before the last day of the Lease Term, whichever shall occur first; or

(e) The Lessee becomes insolvent (however such insolvency may be evidenced) or admits insolvency or bankruptcy or its inability to pay its debts as they mature, makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for the Lessee, or for the major part of its property or commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or

(f) a proceeding shall have been instituted in a court having jurisdiction in the premises, seeking a decree or order (i) for relief in respect of the Lessee in an involuntary case under any applicable bankruptcy, reorganization, insolvency or other similar law now or hereafter in effect or (ii) for the appointment of a custodian, receiver, trustee or similar official of the Lessee or a material part of its property, or (iii) for the winding up or liquidation of the affairs of the Lessee, and either (A) any such proceeding shall remain undismissed or unstayed and in effect for a period of 90 consecutive days or (B) such court shall enter a decree or order granting the relief sought in such proceeding or the Lessee shall consent to such entry; or

(g) The Lessee ceases doing business as a going concern without having received the prior written consent of the Lessor or, so long as the Lien of the Security Agreement shall not have been discharged, the Security Trustee to the assignment of this Lease in compliance with Section 13 of this Lease and release of its obligations hereunder.

SECTION 19. REMEDIES UPON DEFAULT.

Upon the occurrence and during the continuance of any Event of Default under this Lease, the Lessor may exercise one or more of the following remedies as the Lessor in its sole discretion shall elect (in each case to the extent permitted by, and subject to compliance with the provisions of, applicable law):

(a) The Lessor may terminate or cancel this Lease, without prejudice to any other remedies of the Lessor hereunder, with respect to all or any Item of Equipment, and may enter the premises of the Lessee to take immediate possession of the Equipment and remove all or any Item of Equipment by summary proceedings or otherwise, or may cause the Lessee, at the Lessee's expense, to surrender and deliver possession of the Equipment or such Item in the same manner as provided in Section 5 hereof;

(b) The Lessor may hold, keep idle or lease to others the Equipment or any Item of Equipment, as the Lessor in its sole discretion may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that the Lessee's obligation to pay Fixed Rent payable after the Lessee shall have been deprived of possession pursuant to this Section 19 shall be reduced by the net proceeds, if any, received by the Lessor from leasing the Equipment or such Item to any Person other than the Lessee after the Lessee shall have been so deprived of possession;

(c) The Lessor may sell any Item of Equipment at public or private sale as the Lessor may determine, free and clear of any rights of the Lessee, and the Lessee shall pay to the Lessor all unpaid Fixed Rent payable up to and including the date on which such sale occurs (computed on a daily equivalent basis for the period from and including the Rent Payment Date immediately preceding the date of such sale on which Fixed Rent was paid to and including the date of such sale), plus, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent for such Item sold payable after the date on which such sale occurs), an amount equal to the excess, if any, of (i) the Stipulated Loss Value of such Item so sold, computed as of the Rent Payment Date coincident with or immediately preceding the date of such sale, over (ii) the net proceeds of such sale, and upon such payment this Lease with respect to such Item shall terminate;

(d) The Lessor, by written notice to the Lessee, may demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor all unpaid Fixed Rent payable therefor up to and including the date of such notice plus, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent for any Item of Equipment payable after the date of such notice and in lieu of the exercise by the Lessor of its rights under such subsection (c) above with respect to such Item of Equipment), whichever of the following amounts the Lessor, in its sole discretion, shall specify in such notice: (i) an amount, with respect to such Item of Equipment, equal to the excess, if any, of the Fixed Rent payable for such Item of Equipment for the remainder of the then current Lease Term, over the Fair Market Rental Value of such Item of Equipment for the remainder of the then current Lease Term, after discounting such excess to present worth as of the payment date specified in such notice at the lower of (A) the Prime Rate and (B) the interest rate of the Notes; or (ii) an amount, with respect to each Item of Equipment, equal to the excess, if any, of the Stipulated Loss Value of such Item of Equipment computed as of the Rent Payment

Date coincident with or next following such Event of Default, over the Fair Market Sales Value of the Equipment as of the said date, and upon such payment this Lease with respect to such Item shall terminate;

(e) The Lessor may proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease;

(f) The Lessor may apply to the obligations of the Lessee hereunder or under any other Operative Agreement, in any such order as the Lessor shall elect, any amounts held as security hereunder for Lessee's obligations; and

(g) The Lessor may exercise any other right or remedy which may be available to it under applicable law.

No remedy referred to in this Section 19 is intended to be exclusive, but each shall be, to the extent permitted by applicable law, cumulative and may be exercised concurrently or consecutively and shall be in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity, and the exercise in whole or in part by the Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by the Lessor of any or all such other remedies. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is effective under applicable law. Except to set forth in Section 6(a) but subject to the provisions of Section 6(e), the Lessee hereby waives any and all existing or future claims to any offset against the Rent payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. Except as otherwise provided in this Lease, the Lessee, to the full extent effective under applicable law, hereby waives all statutory or other legal requirements for any notice of any kind, any other requirements with respect to the enforcement of the Lessor's rights under this Lease and any and all rights of redemption. No waiver by the Lessor of any Event of Default under this Lease shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default under this Lease.

In addition, the Lessee shall be liable for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies, including during the appeal or enforcement of any judgment, and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Default or Event of Default under this Lease or the exercise of the Lessor's remedies with respect thereto, including without limitation, the repayment in full of any costs and expenses necessary to be expended in repairing or modifying any Item in order to cause it to be in compliance with all maintenance and regulatory standards imposed by this Lease.

Upon the date of termination of this Lease by the Lessor pursuant to Section 19(a), the Lessee shall, without expense to the Lessor, promptly redeliver the Items of Equipment or cause the Items of Equipment to be redelivered, to the Lessor with all reasonable dispatch, in the same manner and in the same condition as if such Items of Equipment were being redelivered on the last day of the Lease Term in accordance with the provisions of

Section 5, and all obligations of the Lessee under Section 5 shall apply to such redelivery. The Lessor, without further notice, may, but shall be under no obligation to, retake such Items of Equipment wherever found, without the Lessor incurring any liability by reason of such retaking, whether for the restoration of damage to property caused by such retaking or otherwise.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee with full power and authority to, upon the occurrence and during the continuance of an Event of Default under this Lease, exercise the Lessor's rights under this Section, at any time while the Lessee is obligated to deliver possession of any Item of Equipment to the Lessor, to demand and take possession of such Item of Equipment in the name and on behalf of the Lessee from whomever shall then be in possession of such Item.

SECTION 20. THE LESSOR'S RIGHT TO PERFORM FOR THE LESSEE.

If the Lessee fails to perform or comply with any of its agreements or covenants contained herein, the Lessor may (but shall not be obligated to), subject to the provisions of Section 7.3(a) of the Security Agreement, itself, after notice to the Lessee, perform or comply with such agreement or covenant or make advances to perform the same, and the amount of the reasonable expenses of the Lessor incurred in connection with the performance of or compliance with such agreement or covenants, shall, if not paid by the Lessee to the Lessor on demand, be payable as Supplemental Rent hereunder.

SECTION 21. INTENTIONALLY OMITTED.

SECTION 22. COVENANT OF QUIET ENJOYMENT.

During the Lease Term of any Item of Equipment hereunder and so long as no Event of Default under this Lease shall have occurred and be continuing, the Lessor covenants and agrees that the Lessee shall have the right to uninterrupted use and enjoyment of such Item on the terms and conditions provided herein without any interference from the Lessor or the Owner Participant or those claiming through or against the Lessor (other than claims of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof arising out of the right of the Lessor to perform for the Lessee as set forth in Section 20 hereof or solely out of the Lessor being the legal owner of the Equipment, which are claims by or through the Lessor), including, but not limited to any assignee or lender or mortgagee of the Lessor or the Owner Participant. For purposes of this Section 22, the delivery of notices of default or nonperformance delivered to the Lessee under and pursuant to Section 18 shall not be deemed to constitute a violation of this Section 22.

SECTION 23. INTENTIONALLY OMITTED.

SECTION 24. NOTICES AND REQUESTS.

Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective upon receipt by the addressee or, if such receipt is rejected, upon rejection, at its address set forth below or, in the case of any such party hereto, at such other address as such party may from time to time designate by written notice to the other parties hereto:

If to the Lessee: Northern Indiana Public Service Company
5265 Hohman Avenue
Hammond, Indiana 46320
Attention: Mr. F. P. Girot, Jr.
Fax No.: (219) 853-5352
Confirmation No.: (219) 853-6970

If to the Lessor: Shawmut Bank Connecticut, National
Association, as Owner Trustee
777 Main Street
Hartford, Connecticut 06115
Attention: Corporate Trust Administration
Fax No.: (203) 240-7920

All notices required to be delivered under this Lease to the Lessor shall, so long as the Lien of the Security Agreement shall not have been discharged, also be delivered to the Security Trustee.

SECTION 25. LESSEE'S RENEWAL AND PURCHASE OPTIONS.

(a) *Lessee's Renewal Option.* If no Default or Event of Default under this Lease shall have occurred and be continuing, and this Lease shall not have been earlier terminated, the Lessee shall be entitled, at its option upon irrevocable written notice to the Lessor, as hereinafter provided, to renew this Lease in accordance with the following terms, with respect to all, or if less than all, not less than 25% nor more than 75% of the Items of Equipment then subject to this Lease chosen pursuant to the Equipment Selection Process:

(i) commencing at the end of the Basic Term, the Lessee shall have the option to renew this Lease for a period of five years and the Fixed Rent payable semi-annually during the first Renewal Term shall be at a rate equal to 50% of the average amount of each installment of Fixed Rent payable in respect of such Item during the Basic Term;

(ii) commencing at the end of the first Renewal Term described in clause (i) above, the Lessee shall have the option to renew this Lease with respect to any Items of Equipment then subject to this Lease and chosen by the Equipment Selection Process for a period which equals the longest integral multiple of six months which does not result in (A) such Renewal Term when added to the Interim Term, the Basic Term and the first Renewal Term exceeding 80% of the economic life of such Item(s) of Equipment and (B) the expected residual value of such Equipment at the end of such second Renewal Term being an amount less than 20% of the Purchase Price of such Equipment (without regard to inflation or deflation occurring or expected to occur from the Acceptance Date until the end of the second Renewal Term) determined in each case in the manner described in Section 25(c) hereof, and that the Fixed Rent payable during the second Renewal Term for any Item of Equipment shall be at a rate equal to 50% of the average amount of each installment of Fixed Rent payable in respect of such Item during the Basic Term; *provided* that if the Lessee has chosen to renew this Lease pursuant to the fair market renewal provided in Section 25(a)(iii), then the Lessee may not thereafter renew this Lease under this Section 25(a)(ii); and

(iii) commencing at the expiration of the Basic Term and at the expiration of each Renewal Term other than a Renewal Term under Section 25(a)(i) or (ii) thereafter, the Lessee shall have the option to renew this Lease with respect to any Item of Equipment then subject to this Lease, for periods of integral multiples of 12 months and the Fixed Rent payable during any such Renewal Term shall be at a rate equal to the Fair Market Rental Value of such Item of Equipment determined in accordance with Section 25(c). The Lessee may renew this Lease under this Section 25(a)(iii) for a maximum of four years.

Except as stated above, all of the provisions of this Lease (other than Section 27) shall be applicable during each Renewal Term for each Item of Equipment. During any Renewal Term under this Lease, Stipulated Loss Value or Termination Value for any Equipment as of any Rent Payment Date shall be determined by subtracting from the amount of the Stipulated Loss Value or Termination Value, as the case may be, as of the immediately preceding Rent Payment Date an amount equal to the quotient of the amount of the Stipulated Loss Value or Termination Value, as the case may be, as of the last Rent Payment Date during the Basic Term divided by the number of months from the last day of the Basic Term to the latter of (x) the expiration of the estimated useful life of the Equipment covered by such Lease as determined by R. L. Banks & Associates, Inc. as of the Closing Date on which such Equipment was purchased by the Lessor or (y) the expiration of the Renewal Term then being proposed. If the Lessee shall exercise said renewal option with respect to any of said Renewal Terms, the Lessee shall give irrevocable written notice to the Lessor to such effect not less than a 180 days nor more than 365 days prior to the expiration of the Basic Term or the Renewal Term of such Item(s) of Equipment.

(b) *The Lessee's Purchase Option.* If (i) no Default or Event of Default under this Lease shall have occurred and be continuing, and (ii) this Lease shall not have been earlier terminated, the Lessee shall be entitled, at its option, upon irrevocable written notice to the

Lessor as hereinafter provided, to purchase all, or if less than all not less than 100 of the Items of Equipment not then subject to any Renewal Term chosen in accordance with the Equipment Selection Process, on the date immediately following the date of the expiration of the Basic Term of each such Item of Equipment, for an amount, with respect to each such Item of Equipment, payable in immediately available funds, equal to the lesser of (A) the Fair Market Sales Value thereof determined in accordance with Section 25(c) hereof or (B) 46.5% of the Purchase Price of such Item(s) or Equipment, plus any applicable sales, use, transfer, documentary, recording excise or other taxes imposed as a result of such sale (other than net income taxes attributable to such sale). In addition, the Lessee shall have the option to purchase at the end of any Renewal Term those Items of Equipment which the Lessee has not elected to renew the Lease for the Fair Market Sales Value of such Item(s) of Equipment.

If the Lessee intends to exercise said purchase options, the Lessee shall give irrevocable written notice to the Lessor to such effect not less than 180 days and not more than one year prior to the expiration of the Basic Term or Renewal Term of such Item(s) of Equipment. In the event that the Lessee exercises its purchase options under this Section 25(b), the Lessor shall execute and deliver to the Lessee a bill of sale, in which the Lessor transfers the Item to the Lessee "as is" without warranty or representation as to condition and represents only that it is transferring whatever title was transferred to it, free and clear of all Liens in favor of any Person claiming by, through or under the Lessor, in a form reasonably acceptable to the Lessee, upon payment of the sale price by the Lessee.

(c) *Determination of Fair Market Sales Value and Fair Market Rental Value; Appraisal Procedure.* If the Lessee intends to exercise its renewal option, as provided in Section 25(a) hereof, or intends to exercise its purchase option, as provided in Section 25(b) hereof, then at least 180 days prior to the expiration of the Basic Term or any Renewal Term, the Lessee shall select an appraiser mutually acceptable to the Lessor for the purpose of determining the Fair Market Rental Value or Fair Market Sales Value, as the case may be, of each such Item of Equipment as of the end of the Basic Term thereof, or, if this Lease has been renewed pursuant to Section 25(a) hereof, then as of the end of the then current Renewal Term thereof, and in the event this Lease is being renewed pursuant to Section 25(a)(ii), the economic life and residual value of such Equipment as set forth in Section 25(a). For the purposes of determining the economic life and the residual value of the Equipment pursuant to Section 25(a)(ii) hereof, all non-severable improvements made by the Lessee, other than improvements required by law or required to maintain the Equipment in the condition required by this Lease, shall be ignored.

In the event the Lessor and the Lessee fail to agree upon a qualified independent appraiser within 30 days of the Lessee's notice of intent to exercise either its renewal or purchase option, each party shall appoint an independent appraiser (an "Independent Appraiser") within 30 Business Days after such notice is given, and the two appraisers so appointed shall within 45 Business Days after such notice is given appoint a third independent appraiser (the "Consensus Appraiser") who shall determine within 90 days the Fair Market Rental Value or the Fair Market Sales Value, as the case may be. If no such third appraiser is appointed within 45 Business Days after such notice is given, either party

may request the American Arbitration Association to determine the appraisal values and amounts, and both parties shall be bound by any such determination.

Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Sales Value and/or the Fair Market Rental Value, as the case may be, and the economic life or residual value, if applicable, of such Item(s) of Equipment within 90 days after the appointment of such appraiser(s). If the parties shall have appointed either a single appraiser or a Consensus Appraiser, such appraiser's determination of such values and economic life shall be final. The fees and expenses of any appraiser appointed under this Section 25(c) shall be paid for as follows: (i) if the parties shall have elected a single appraiser, the appraisal fees and expenses incurred in connection with such appraiser shall be paid by the Lessee, (ii) if the Lessee and the Lessor each select an Independent Appraiser, each party shall pay the respective fees and expenses incurred in connection with such Independent Appraiser selected by it, and (iii) the fees and expenses incurred in connection with any Consensus Appraiser and in connection with any American Arbitration Association determination shall be shared equally by the Lessee and the Lessor. The above-described procedure shall be from time to time referred to as the "*Appraisal Procedure*".

SECTION 26. FINANCIAL INFORMATION; REPORTS.

The Lessee agrees to furnish the Lessor, the Owner Participant, the Security Trustee, the initial Note Purchaser and each holder of \$1,000,000 or more in original principal amount of the Notes (herein, collectively, the "*Financial Information Recipients*"):

(a) within 90 days after the close of its fiscal year, an annual report of the Lessee, consisting of the audited consolidated financial statements of the Lessee and its consolidated subsidiaries including consolidated balance sheets of the Lessee and its consolidated subsidiaries as of the end of such fiscal year, consolidated statements of income and cash flows of the Lessee and its consolidated subsidiaries for the year then ended with all notes thereto in each case together with the opinion of the auditor thereof; *provided*, so long as the Lessee shall file an Annual Report on Form 10-K with the Securities and Exchange Commission (the "*Form 10-K*") which contains the information set forth in this paragraph (a) and the auditor's opinion described above, the requirements of this paragraph (a) shall be satisfied by forwarding a copy of said Form 10-K to the Financial Information Recipients within the prescribed time period;

(b) within 45 days after the close of each of the first three quarterly periods of the Lessee's fiscal year, a consolidated balance sheet of the Lessee and its consolidated subsidiaries as of the end of such quarter, and comparative consolidated statements of income and cash flows of the Lessee and its consolidated subsidiaries for such quarter in each case certified by an authorized officer of the Lessee to the effect that such consolidated financial statements present fairly, in all material respects, the financial position of the Lessee and its consolidated subsidiaries for such quarter in accordance with generally accepted accounting principles (subject only to year end adjustments and the lack of footnotes); *provided*, so long as the Lessee shall file a

Quarterly Report on Form 10-Q with the Securities and Exchange Commission (the "Form 10-Q") which contains the information set forth in this paragraph (b), the requirements of this paragraph (b) shall be satisfied by forwarding a copy of said Form 10-Q to the Financial Information Recipients within the prescribed time period;

(c) promptly upon the President, the Chief Financial Officer or the Treasurer of the Lessee obtaining knowledge that there has occurred and is continuing any condition, event, act or omission which constitutes a Default or an Event of Default under this Lease or a Lien (other than Permitted Encumbrances) on the Equipment, notice of such condition, event, act or omission and the steps which the Lessee has taken or is taking to remedy the same; and

(d) such additional information concerning the location, condition, use and operation of the Equipment and financial condition and operations of the Lessee as any Financial Information Recipient may from time to time reasonably request.

SECTION 27. VOLUNTARY TERMINATION FOR OBSOLESCENCE.

(a) *Right of Termination.* So long as no Default or Event of Default under this Lease shall have occurred and be continuing, the Lessee shall have the right at its option on one occasion on any Rent Payment Date after each of (i) the fifth anniversary, (ii) the tenth anniversary and (iii) the fifteenth anniversary, of the First Closing Date, on at least 120 days' prior written notice to the Lessor, to terminate this Lease, in each instance, with respect to all, or if less than all no less than 50 and no more than 190, Items of Equipment then leased hereunder and chosen in accordance with the Equipment Selection Process if, in the Lessee's good faith opinion as evidenced by a certificate of the President, any Vice President, the Treasurer or the Chairman of the Board of the Lessee, such Items shall have become no longer useful in, uneconomic to the needs of, or surplus to, the Lessee in its business, such termination to be effective on the Rent Payment Date specified in such notice (for purposes of this Section 27, called the "*termination date*"), upon payment to the Lessor of the sum of (A) the installment of Fixed Rent due on such termination date, (B) any other Rent or other sums due and owing on or in respect of the Equipment, (C) an amount equal to the Termination Value of such Equipment as of the termination date, and (D) an amount equal to the Make Whole Premium then due and payable by the Lessor on the Notes under and pursuant to Section 6.2 of the Security Agreement. If the Lessee shall fail to pay all amounts due under and pursuant to this Section 27(a), this Lease shall continue in full force and effect and it shall be deemed that the Lessee has rescinded its notice of termination. The Lessee shall be obligated to return the Items of Equipment with respect to which the Lease has been terminated pursuant to this Section 27(a) in the condition prescribed by the maintenance and return provisions of this Lease. During the period from the giving of such notice until the termination date, the Lessee, as non-exclusive agent for the Lessor, shall use its reasonable efforts to secure bids for the purchase of such Items and in the event it receives any bid during such period, the Lessee shall promptly certify to the Lessor in writing the amount and terms of such bid and the name and address of the party submitting such bid. In acting as agent for the Lessor, the Lessee shall have no liability to the Lessor or any other Person for failure to obtain the best possible price, shall act in its sole discretion

and shall be under no duty to solicit bids publicly or in any particular market, and the Lessor acknowledges that the Lessee may sell pursuant to the terms hereof the Items of Equipment to a Person, and under terms and conditions, which, in the Lessee's sole judgment, are most desirable from the point of view of reducing or eliminating the Lessee's obligation to pay the amounts set forth in this Section 27(a). The Lessor or the Owner Participant may obtain bids, but shall be under no duty to solicit bids, inquire into the efforts of the Lessee to obtain bids or otherwise take any action in connection with arranging such sale. Neither the Lessee nor any Person affiliated with the Lessee, may purchase any such Item(s) of Equipment.

If the Lessee is relying on the Items being surplus rather than uneconomic to its needs, (x) the Lessee shall have previously sold to a non-affiliate, terminated the lease of or otherwise disposed of to a non-affiliate any and all items of equipment substantially similar to or having substantially the same capabilities as the Equipment leased under this Lease, which Lessee has purchased, leased or first otherwise acquired during the one year period prior to the termination date for such Items under this Lease, and (y) the Lessee covenants that it will not purchase, first lease or first otherwise acquire for a period of one year after the termination date for such Items of Equipment, items of equipment substantially similar to or having substantially the same capabilities as the Items Equipment leased under this Lease.

(b) *Sale of Equipment and Termination of Lease.* Upon, but not until, payment by the Lessee of all sums required to be paid pursuant to Section 27(a), including without limitation the Make Whole Premium payable thereunder, the Lessor shall sell the Equipment for cash to the highest bidder certified by the Lessee or obtained by the Lessor or the Owner Participant and the net proceeds realized at such sale (after deduction of all reasonable out-of-pocket costs incurred by the Lessor or the Owner Participant) in an amount equal to the sum of the amounts specified in clauses (C) and (D) of the first sentence of the first paragraph of this Section 27 shall be retained by the Lessee and any proceeds in excess of such amounts specified in such clauses shall be retained by the Lessor; *provided* that if the gross proceeds realized at such sale shall be in excess of the amounts specified in clauses (C) and (D) of the first sentence of the first paragraph of this Section 27, the Lessee shall reimburse the Lessor or the Owner Participant, as the case may be, for its reasonable out-of-pocket costs in an amount not to exceed such excess. On the termination date, upon payment in full of the sums required by this Section 27, the Lessee shall request the Security Trustee, so long as the Lien of this Security Agreement remains undischarged, to execute a release of such Item(s) from the Lien of the Security Agreement and the Lessee shall deliver possession of such Item(s) to the bidder, if any, which shall have submitted the highest bid during such period, and the Lessor shall, without recourse or warranty, simultaneously therewith sell such Item(s) on an "as-is", "where-is" basis for cash to such bidder. Upon, but not until, disposition of the Equipment and payment of the sums required by this Section 27, including without limitation the Make Whole Premium payable thereunder, this Lease shall terminate with respect to the Equipment. In disposing of the Equipment pursuant to this Section, the Lessee shall take such action as the Lessor or the Owner Participant shall reasonably request to terminate any contingent liability which the Lessor or the Owner Participant might have arising after such disposition.

(c) *Right of the Lessor to Retain Terminated Items.* Notwithstanding the foregoing provisions of this Section 27(a) and (b), the Lessor may, within 60 days after the Lessee's certification under this Section 27 of a bid or, if the Lessee does not certify any such bids, at any time up to 15 days prior to the termination date, notify the Lessee in writing of its preemptive election to take possession of such Items of Equipment on the termination date; *provided* that the Lessor may not so elect unless it shall simultaneously (i) irrevocably agree to provide the funds necessary to pay in full the Notes on or before the termination date, and (ii) provide to the Lessee evidence to the Lessee's satisfaction that funds have been set aside for the payment provided in clause (i) above. The Lessee shall pay the premium, if any, on the Notes required to be paid by the Lessor pursuant to Section 5.1(e) of the Security Agreement. If the Lessor has not, after making its preemptive election referred to above, caused the Notes (including, without limitation, premium, if any) to be paid on or before the termination date and thereby caused this Lease to terminate, such preemptive election shall be deemed to have been rescinded and the Lessee shall on the termination date (without waiving any rights the Lessee may have against the Lessor for the Lessor's failure to cause the Notes to be so paid) pay the amounts required to be paid by the first sentence of Section 27(a) hereof, and thereupon this Lease shall terminate with respect to such Items of Equipment. Upon receipt of such notice of such preemptive election (and, in the case of the Lessee, evidence that the conditions of the proviso to the second preceding sentence have been satisfied), the Lessee and the Lessor shall cease efforts to obtain bids as provided above and shall reject all other bids theretofore or thereafter received. If the Lessor shall have made such election, on the termination date, the Lessee shall deliver the Equipment to the Lessor in accordance with Section 5(a) hereof and shall pay all Fixed Rent due on the termination date with respect to the Equipment, whereupon the obligation of the Lessee to pay Fixed Rent due and payable after the termination date with respect to such Equipment shall cease and from and after the termination date such Equipment shall no longer be subject to this Lease. It shall be an absolute condition precedent to the Lessee's right to terminate this Lease and the Lessor's right to make its preemptive election under this Section 27(c) that on the termination date the Lessor shall have received and paid to the Security Trustee funds of the type specified in this Section 27 in an amount sufficient to enable it to pay in full the unpaid principal amount of all Notes which may be outstanding on such date with respect to the terminated Equipment, together with accrued interest thereon to such date and premium, if any, pursuant to Section 5.1(e) of the Security Agreement, plus all other sums then due and payable by the Lessee or the Lessor on such date under the Operative Agreements. If the Lessee or the Lessor, as the case may be, shall fail to pay all amounts due and owing under the provisions of this Section 27(c), this Lease shall continue in full force and effect and it shall be deemed that the Lessee has rescinded its notice of termination.

SECTION 28. CONSOLIDATION, MERGER AND SALE OF ALL ASSETS.

The Lessee will not merge or consolidate with any other corporation or sell, lease or otherwise dispose of all or substantially all of its assets to any Person unless (a) immediately after such transaction, no Default or Event of Default under this Lease shall have occurred and be continuing, and (b) the corporation which is to be the surviving or acquiring corporation in such transaction (i) shall be a corporation organized and existing under the

laws of the United States of America or a state thereof, and (ii) shall, if the surviving or acquiring corporation is other than the Lessee, by agreement in writing, reasonably satisfactory to the Participants, expressly assume the due and punctual payment of the Rent and other sums due and to become due under this Lease, the Participation Agreement and the Tax Indemnification Agreement and the Participants shall have received an opinion of counsel reasonably satisfactory to the Participants, in form and substance reasonably satisfactory to them, to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the surviving corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and general principles of equity, including the discretion of the court before which any proceeding may be brought (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 29. MISCELLANEOUS.

Each party agrees that the other party shall not by act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder unless such waiver is given in writing. A waiver on one occasion shall not be construed to be a waiver on any other occasion. The captions in this Lease are for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating or diminishing the Lessor's or the Lessee's rights under the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. No term or provision of this Lease may be amended, altered, waived, discharged or terminated orally, but may be amended, altered, waived, discharged or terminated only by an instrument in writing signed by a duly authorized officer of the party against which the enforcement of the amendment, alteration, waiver, discharge or termination is sought. All of the covenants, conditions and obligations contained in this Lease shall be binding upon and shall inure to the benefit of the respective successors and assigns of the Lessor and the Lessee. This Lease, each Lease Supplement and each related instrument, document, agreement and certificate, collectively constitute the entire agreement of the Lessor and the Lessee with respect to the acquisition and leasing of the Equipment, and cancel and supersede any and all prior oral or written understandings with respect thereto. This Lease shall in all respects be governed by, and construed in accordance with, the laws of the State of Indiana, including all matters of construction, validity and performance.

SECTION 30. THIRD-PARTY BENEFICIARIES.

Nothing in this Lease shall be deemed to create any right in any Person not a party hereto (other than the Owner Participant, the Security Trustee and each holder from time to time of a Note and the permitted successors and assigns of any such Person and any party

hereto) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

SECTION 31. LIABILITY OF LESSOR LIMITED.

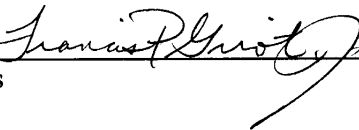
It is expressly agreed, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, covenants, undertakings and agreements by Shawmut Bank Connecticut, National Association or for the purpose or with the intention of binding Shawmut Bank Connecticut, National Association personally, but are made and intended for the purpose of binding only the Trust Estate, and this Lease is executed and delivered by Shawmut Bank Connecticut, National Association not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility in the case of willful misconduct or gross negligence (other than with respect to the handling of funds, in which case the Lessor shall be accountable for its failure to exercise ordinary care), is assumed by or shall at any time be asserted or enforceable against Shawmut Bank Connecticut, National Association on account of this Lease or on account of any representation, warranty, covenant, undertaking or agreement of the Lessor, either expressed or implied herein, all such personal liability, if any, being expressly waived and released by the Lessee and by all Persons claiming by, through or under it, and that all recourse against Shawmut Bank Connecticut, National Association under this Lease shall be limited to the Trust Estate.

SECTION 32. EXECUTION.

This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts (or upon separate signature pages bound together into one or more counterparts), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. To the extent, if any, that this Lease or any Lease Supplement constitutes chattel paper or other collateral within the meaning of the Uniform Commercial Code (or other law respecting security interests) as in effect in any applicable jurisdiction, no security interest in the Lessor's interest under this Lease or any such Lease Supplement may be created through the transfer or possession of any counterpart of this Lease or such Supplement other than the original executed Counterpart No. 1 hereof or thereof which shall be identified on the cover, the receipt of which is acknowledged by the Security Trustee.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this instrument to be executed, all as of the day and year first above written.

NORTHERN INDIANA PUBLIC SERVICE
COMPANY, an Indiana corporation

By: 
Its

SHAWMUT BANK CONNECTICUT, NATIONAL
ASSOCIATION, not individually but solely
as Owner Trustee

By: _____
Its

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this instrument to be executed, all as of the day and year first above written.

NORTHERN INDIANA PUBLIC SERVICE
COMPANY, an Indiana corporation

By: _____
Its

SHAWMUT BANK CONNECTICUT, NATIONAL
ASSOCIATION, not individually but solely
as Owner Trustee

By: *Phyllis*
Its Corporate Trust Officer

[Railcar Lease]

STATE OF Indiana)
) SS.:
COUNTY OF Lake)

On this, the 13th day of June, 1994, before me, a Notary Public in and for said County and State, personally appeared Francis P. Girot, the Treasurer of NORTHERN INDIANA PUBLIC SERVICE COMPANY, who acknowledged himself to be a duly authorized officer of NORTHERN INDIANA PUBLIC SERVICE COMPANY, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Linda L. Skinner
Name: Linda L. Skinner
Notary Public
My Commission Expires: April 10, 1998
Residing in Porter County

STATE OF _____)
) SS.:
COUNTY OF _____)

On this, the _____ day of _____, 1994, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ of SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, who acknowledged himself to be a duly authorized officer of SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name:
Notary Public
My Commission Expires:
Residing in _____

STATE OF _____)
) SS.:
COUNTY OF _____)

On this, the _____ day of June, 1994, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ of NORTHERN INDIANA PUBLIC SERVICE COMPANY, who acknowledged himself to be a duly authorized officer of NORTHERN INDIANA PUBLIC SERVICE COMPANY, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name:
Notary Public
My Commission Expires:
Residing in _____

STATE OF Connecticut)
) SS.:
COUNTY OF Hartford)

On this, the 16 day of June, 1994, before me, a Notary Public in and for said County and State, personally appeared Rubio de la Canal, the Corporate Trust Officer of SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, who acknowledged himself to be a duly authorized officer of SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Cynthia L. Essay
Name: Cynthia L. Essay
Notary Public
My Commission Expires: February 28 1998
Residing in Colchester, CT

DEFINITIONS

Re: NORTHERN INDIANA PUBLIC SERVICE COMPANY

ANNEX 1

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DEFINITIONS

Re: Northern Indiana Public Service Company

GENERAL PROVISIONS

The following terms shall have the following meanings for all purposes of the Operative Agreements referred to below, unless otherwise defined in an Operative Agreement or the context thereof shall otherwise require. In the case of any conflict between the provisions of this Definition Annex and the provisions of the main body of any Operative Agreement, the provisions of the main body of such Operative Agreement shall control the construction of such Operative Agreement.

Unless the context otherwise requires, (i) references to agreements shall be deemed to mean and include such agreements as the same may be amended and supplemented from time to time, and (ii) references to parties to agreements shall be deemed to include the successors and permitted assigns of such parties.

DEFINED TERMS

"AAR" shall mean the Association of American Railroads or any successor thereto.

"*Acceptance Date*" for each Item of Equipment means the date on which the Lessee has accepted such Item for lease under the Lease, as evidenced by the Lessee's execution and delivery of a Lease Supplement for such Item dated such date.

"*Acquisition Agreements*" shall mean the Purchase Agreement Assignments, dated as of each Closing Date between the Lessee and the Owner Trustee substantially in the form of Exhibit B to the Participation Agreement.

"*Affiliate*" shall mean any Person who or which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, another Person. The term "*control*" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person whether through the ownership of Voting Stock, by contract or otherwise.

"*After-Tax Basis*" means on a basis such that any payment to be received or deemed to be received shall be supplemented by a further payment so that the sum of the two payments, after deducting from such payments the amount of all taxes resulting from receipt or accrual of such payments (net of any current credits or deductions or other tax benefits arising therefrom, to the extent actually realized), assuming that the Person receiving such payments is subject to taxes at the highest marginal rate applicable to corporations, shall be equal to the payments to be received or deemed to have been received.

"*Appraisal Procedure*" shall have the meaning specified in Section 25(c) of the Lease.

"Assigned Agreements" shall mean the Lease and all of the other agreements referred to in Division III of the Granting Clauses of the Security Agreement.

"Bankruptcy Code" shall mean the Federal Bankruptcy Code as amended from time to time, 11 U.S.C. §101 *et seq.*

"Basic Term" shall have the meaning specified in Section 4 of the Lease.

"Basic Term Commencement Date" shall have the meaning specified in Section 4 of the Lease.

"Beneficial Interest" shall mean the interest of the Owner Participant under the Trust Agreement.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banking institutions in the state of Connecticut, Delaware, Illinois, Indiana, or Kentucky are authorized or required to be closed.

"Closing Dates" shall have the meaning specified in Section 2.3(a) of the Participation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor code.

"Consensus Appraiser" shall have the meaning specified in Section 25(c) of the Lease.

"Contest" shall mean a good faith contest of the validity or application of any law, statute, ordinance, rule or regulation by the Lessee (i) conducted in a manner so as to prevent the imposition of any criminal penalty on the Lessor, the Owner Participant, the Security Trustee or any holder of the Notes, (ii) which will not result in the forfeiture or loss of the Equipment or materially and adversely effect the Owner Trustee's title thereto or the first perfected security interest of the Security Trustee therein and (iii) will not result in the interruption of the payment of Rent under the Lease.

"Collateral" shall have the meaning specified in the Granting Clauses of the Security Agreement.

"Debtor" shall mean the Owner Trustee, as debtor under the Security Agreement.

"Default under the Lease" shall mean any event which would constitute an Event of Default under the Lease if any requirement in connection therewith for the giving of notice or the lapse of time, or both, had been satisfied.

"Default under the Security Agreement" shall mean any event which would constitute an Event of Default under the Security Agreement if any requirement in connection therewith for the giving of notice, or the lapse of time, or both, had been satisfied.

"Employee benefit plan" has the meaning specified in Section 3 of ERISA.

"Enforcement Date" shall have the meaning specified in Section 7.3 of the Security Agreement.

"Enforcement Notice" shall have the meaning specified in Section 7.3 of the Security Agreement.

"Equipment" shall mean collectively those items (and *"Item"* or *"Item of Equipment"* shall mean individually each item) of railroad rolling stock generally described in Section C to the Lease and more particularly described in the Lease Supplement delivered on each Closing Date, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed on any item thereof which are the property of the Owner Trustee pursuant to the terms of the Lease.

"Equipment Cost" shall mean the aggregate cost of all Items of Equipment subject to the Lease.

"Equipment Lease" — See *"Lease"*.

"Equipment Selection Process" shall mean, with respect to the determination of the specific Items to be purchased by the Lessee pursuant to Section 25(b) of the Lease or with respect to which the Basic Term or Renewal Term is to be terminated pursuant to Section 27 of the Lease, or renewed pursuant to Section 25(a) of the Lease, the following procedure:

(i) Along with its purchase, termination or renewal notice, the Lessee shall deliver to the Lessor a list of the reporting marks of each and every then existing Item of Equipment.

(ii) With respect to the Items for which the Lease is to be terminated pursuant to Section 27 of the Lease, initially the Lessor and the Lessee shall endeavor in good faith to mutually agree upon the specific Items of Equipment with respect to which the Lease will be terminated. If the Lessor and the Lessee cannot mutually agree upon the specific Items within 30 days of the Lessor's receipt of the termination notice, (A) the Lessor shall then randomly choose a number of the reporting marks (delivered to the Lessor with the notice) equal to the number of Items of Equipment with respect to which the Lessee is exercising its termination option and (B) the Lessor shall within five days after the expiration of such 30 day period notify the Lessee of the specific Equipment selected in such process and as to which the Lease shall be terminated. Such random selection shall occur by placing all the reporting marks in a container and drawing the proper number of reporting marks blindly (the *"Random Process"*). The Items of Equipment corresponding to the reporting marks chosen will be the specific Items of Equipment with respect to which the Lessee's option to terminate the term of the Lease will operate.

(iii) With respect to the Items for which the Lease is to be renewed pursuant to Section 25(a) of the Lease or which are to be purchased by the Lessee pursuant to Section 25(b) of the Lease, Items determined by the following procedure: (A) If, with the list of reporting marks of the Items, the Lessee also notifies the Lessor and the Owner Participant in connection with the exercise of such election that all the Items are approximately evenly disbursed among a number of identified unit trains, which identified unit trains together contain each and every then existing Item of Equipment (other than for Items specifically identified by the Lessee as not included in such unit trains and as to which the Lessor may exclude or include such Items in the Lessor's sole discretion), the Lessor shall choose, within 30 days after the Lessor's receipt of the renewal or purchase notice, using the Random Process (but with unit trains and not reporting marks), a number of unit trains until the number of Items in the unit trains so chosen is not less than 90% of the number of Items with respect to which the Lessee is exercising its option and the Items of Equipment in the unit trains so chosen (plus any Items not contained in any unit trains identified to the Lessor as provided above as selected by the Lessor) shall be the Items of Equipment with respect to which the Lessee's option will operate; (B) If no such notice identifying unit trains is given in connection with such election, then such Items as are mutually agreed upon by the Lessor and the Lessee or if no such agreement can be reached within 30 days of the Lessor's receipt of the renewal or purchase notice, the Lessor shall then randomly choose a number of the reporting marks (delivered to the Lessor with the notice) equal to the number of Items of Equipment with respect to which the Lessee is exercising its option through the Random Process and the Items of Equipment corresponding to the reporting marks chosen will be the specific Items of Equipment with respect to which the Lessee's option will operate. In any event, the Lessor shall, within five days after the 30 day period referred to in clause (A) or (B) above, notify the Lessee of the specific Items of Equipment as to which the Lessee's option will operate.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor law.

"Event of Default under the Lease" is defined in Section 18 thereof.

"Event of Default under the Security Agreement" is defined in Section 7.1 thereof.

"Event of Loss" with respect to any Item of Equipment shall mean (i) the loss of such Item of Equipment or any substantial part thereof or of the use thereof due to theft or disappearance for a period in excess of 180 consecutive days during the Lease Term, or existing at the expiration or earlier termination of the Lease Term, (ii) the destruction, or damage beyond repair which, in Lessee's good faith opinion, makes such Item of Equipment or any substantial part thereof permanently unfit for normal use for any reason whatsoever, (iii) the destruction, or damage which, in the Lessee's good faith opinion makes such item of Equipment uneconomical to repair for any reason whatsoever, (iv) the condemnation, confiscation, seizure, or requisition of use by any governmental authority under the power of eminent domain or otherwise for a period in excess of 180 consecutive days (or

365 consecutive days in the event of any condemnation, confiscation, seizure or requisition of use by the United States government) during the Lease Term, or existing at the expiration or earlier termination of the Lease Term, (v) the requisition of title to such Item of Equipment or any substantial part thereof by any governmental authority under the power of eminent domain or otherwise, or (vi) the prohibition of use of such Item of Equipment for a period in excess of 180 consecutive days resulting from any rule, regulation, order, or other action of any governmental authority not described above or 365 consecutive days if the Lessee is diligently pursuing steps that permit the normal use of such Item of Equipment either by Contest or by diligently pursuing compliance with such rule, regulation, order or other such action.

"Excepted Rights in Collateral" shall have the meaning specified in the Granting Clauses of the Security Agreement.

"Fair Market Rental Value" shall be determined on the basis of, and shall equal in value, the amount which would be obtained in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease, and in such determination, costs of removal from the location of current use shall not be a deduction from such value. Any such determination made (i) under Section 11 or 19 of the Lease shall be made on the assumption that the Equipment is leased on an *"as-is, where-is"* basis, and (ii) at any other time shall be made on the assumption that the Equipment is in the condition and state of repair required by the terms and provisions of the Lease.

"Fair Market Sales Value" shall be determined on the basis of, and shall equal in value, the retail amount (as opposed to the wholesale amount) which would be obtained in an arm's-length transaction between an informed and willing buyer-user (other than a lessee currently in possession) and an informed and willing seller under no compulsion to sell, and in such determination, costs of removal from the location of current use shall not be a deduction from such value. Any such determination made (i) under Section 11 or 19 of the Lease shall be made on the assumption that the Equipment is sold on an *"as-is, where-is"* basis, and (ii) at any other time shall be made on the assumption that the Equipment is in the condition and state of repair required by the terms and provisions of the Lease.

"Financial Information Recipients" shall have the meaning specified in Section 26 of the Lease.

"Final Determination", with respect to a Loss, shall have the meaning specified in Section 8(e) of the Tax Indemnification Agreement.

"First Closing Date" shall have the meaning specified in Section 2.3(a) of the Participation Agreement.

"Fixed Rent" shall mean all rent payable pursuant to Section 6(b) of the Lease for the Basic Term and all Rent payable pursuant to Section 25(a) of the Lease for the Renewal Term, if any.

"Guarantor" shall mean Liberty National Bancorp, Inc., a Kentucky corporation, and its successors and assigns.

"Guaranty Agreement" shall mean the Guaranty Agreement dated as of June 1, 1994 from the Guarantor in favor of the Owner Trustee, the Security Trustee, the Note Purchaser and the Lessee, as amended or supplemented from time to time.

"Guidelines" shall mean the guidelines set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as further set forth in Revenue Procedure 75-28, 1975-1 C.B. 752, and as modified in Revenue Procedure 76-30, 1976-2 C.B. 647 and Revenue Procedure 79-48, 1979-2 C.B. 529 that are applied by the Internal Revenue Service in determining, for advance ruling purposes, whether leveraged lease transactions (other than transactions which are treated as leases pursuant to Section 168(f)(8) of the Code) are leases for Federal income tax purposes.

"Hazardous Materials" shall mean (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as "hazardous substances", "hazardous materials", "hazardous wastes", "toxic substances" or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity or "EP toxicity"; (b) oil, petroleum or petroleum derived substances and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal resources; (c) any flammable substances or explosives, any radioactive materials; and (d) asbestos in any form or electrical equipment which contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty parts per million.

"ICC" means the Interstate Commerce Commission or any successor thereto.

"Indebtedness Hereby Secured" shall mean the outstanding Notes and all principal thereof, premium, if any, and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Owner Trustee under the terms of the outstanding Notes, the Security Agreement or the Participation Agreement.

"Indemnified Parties" shall mean the Participants, the Owner Trustee (in its individual or trust capacities), the Trust Estate and the Security Trustee (in its individual or trust capacities), and successors, assigns, agents, servants, officers, directors and employees of each of the foregoing.

"Indemnitors" shall have the meaning specified in Section 8 of the Participation Agreement.

"Independent Appraiser" shall have the meaning specified in Section 25(c) of the Lease.

"Independent Tax Counsel" means independent tax counsel selected by Owner Participant and reasonably acceptable to Lessee.

"Interchange Location" shall have the meaning specified in Section 5(a) of the Lease.

"Interchange Rules" shall have the meaning specified in Section 10 of the Lease.

"Interest" shall mean the Beneficial Interest or a Note, individually, and *"Interests"* shall mean the Beneficial Interest and the Notes, collectively.

"Interim Interest" shall have the meaning specified in Section 2.1(b) of the Participation Agreement.

"Interim Rent" shall mean for the Equipment, the aggregate amounts payable for such Equipment pursuant to Section 6(a) of the Lease during the Interim Term.

"Interim Rent Payment Date" shall mean December 22, 1994.

"Interim Term" shall have the meaning specified in Section 4 of the Lease.

"IRS" shall mean the Internal Revenue Service or any successor agency.

"Late Rate" shall mean interest at the annual rate equal to the higher of (i) 8.63%, and (ii) the Prime Rate plus 1%.

"Lease" or *"Equipment Lease"* shall mean the Railcar Lease dated as of June 1, 1994 between the Lessor, as lessor, and the Lessee, as lessee, as amended or supplemented from time to time.

"Lease Supplement" shall mean each Lease Supplement, substantially in the form of Exhibit B to the Lease, entered into between the Lessor and the Lessee pursuant to Section 3 of the Lease on each Closing Date, and shall include any supplement, amendment or restatement thereof. Each Lease Supplement shall contain a description of the Equipment to be delivered on such Closing Date, shall confirm that the Equipment has been accepted by the Lessee and shall set forth a summary of the Purchase Price of the Equipment. Each reference to *"the Lease"* shall include the Lease and the Lease Supplements.

"Lease Term" shall mean the Interim Term, the Basic Term and each Renewal Term.

"Lessee" shall mean Northern Indiana Public Service Company, an Indiana corporation, and any corporation which succeeds thereto by merger or consolidation or which acquires all or substantially all of the assets thereof subject to Section 28 of the Lease.

"Lessee Agreements" shall mean the Operative Agreements to which the Lessee is a party.

"Lessee Storage Location" shall have the meaning specified in Section 5(a) of the Lease.

"Lessor" shall mean the Owner Trustee, as lessor under the Lease.

"Lessor's Liens" shall mean Liens arising as a result of (i) claims against the Lessor, in its individual capacity or as Owner Trustee or Owner Participant not related to the transactions contemplated by the Participation Agreement, (ii) acts of the Lessor in its individual capacity or as Owner Trustee, and in the case of the Lessor arising out of its gross negligence or willful misconduct either not related to the transactions contemplated by the Participation Agreement or expressly prohibited under the Lease or under the Participation Agreement, (iii) Taxes as defined in Section 6(a) of the Participation Agreement imposed against the Lessor, in its individual capacity or as Owner Trustee, the Owner Participant, the Trust or the Trust Estate which are not indemnified against by the Lessee pursuant to Section 6 of the Participation Agreement other than Liens with respect to Taxes which are not due and payable or the amount or validity of which are being contested in good faith by appropriate legal proceedings which will not interfere with the rights of the Lessee under the Lease including the right to use the Equipment or result in the forfeiture or sale of the Equipment or materially and adversely affect Owner Trustee's title thereto or interfere with the due payment by the Lessee to the Security Trustee, the Owner Trustee or the Owner Participant of any Rent or the due application by the Security Trustee of any such Rent pursuant to the Security Agreement and which do not otherwise materially and adversely affect the interest and rights of the Security Trustee in the Collateral or (iv) claims against the Lessor arising out of the voluntary transfer by the Lessor or the Owner Participant of its interest in the Equipment other than a transfer of the Equipment pursuant to Sections 15, 25 or 27 and other than a transfer made while an Event of Default under the Lease shall have occurred and be continuing.

"Lien" shall mean any mortgage, pledge, security interest, lien, encumbrance or other charge of any kind on property.

"Loan Value" shall have the meaning specified in Section 5.1(d) of the Security Agreement.

"Loss" shall have the same meaning given to the term *"Tax Loss"* in Section 3.1(b) of the Tax Indemnification Agreement.

"Make Whole Premium" shall mean, with respect to the termination of the Lease pursuant to Section 27 of the Lease or a refinancing pursuant to Section 2.7 of the Participation Agreement and the prepayment of the Notes under Section 6.2 of the Security Agreement, the excess of (i) the present value of the principal and interest payments on and in respect of the Notes being prepaid or paid, as the case may be, that would otherwise become due and payable (without giving effect to such prepayment or payment) (including the final payment on the maturity date of Notes), all determined by discounting such payments and prepayments semi-annually at a rate which is equal to the Treasury Rate over (ii) the aggregate principal amount of the Notes then to be paid or prepaid. To the extent

that the Treasury Rate at the time of such payment is equal to or higher than, 7.63%, the Make Whole Premium is zero.

"Net Economic Return" means the Owner Participant's expected net after-tax yield and net after-tax cash flow resulting from the transactions described in and contemplated by the Operative Agreements, based on the Interim Rent and Fixed Rent during the Interim Term and Basic Term originally set forth on Annex 2 to the Lease and based on the assumptions set forth in Section 2 of the Tax Indemnification Agreement; *provided, however*, that in determining the amount of any increase or decrease in Fixed Rent or other amount or amounts required to preserve the Owner Participant's Net Economic Return, it is intended that the Owner Participant's net after-tax yield and net after-tax cash flow shall each be maintained (or, where one such component must be enhanced in order to preserve the other components, enhanced). Net Economic Return shall not mean or include the Owner Participant's return on equity or return on assets.

"New Lenders" shall have the meaning specified in Section 2.7 of the Participation Agreement.

"New Loans" shall have the meaning specified in Section 2.7 of the Participation Agreement.

"Note" shall mean any of, and *"Notes"* shall mean all of, the then outstanding Notes, and *"outstanding"*, when used with reference to Notes shall mean, as of any particular time, all Notes delivered by the Debtor and secured by the Security Agreement, except:

- (i) Notes theretofore cancelled by the Security Trustee or delivered to the Security Trustee for cancellation;

- (ii) Notes for the payment or prepayment of which moneys in the necessary amount shall have been deposited in trust with the Security Trustee; *provided* that if such Notes are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as provided in Section 6.4 of the Security Agreement, or provision satisfactory to the Security Trustee shall have been made for giving such notice; and

- (iii) Notes in lieu of or in substitution for which other Notes shall have been delivered pursuant to the terms of Section 2.4 of the Security Agreement.

"Note Payment Dates" shall mean December 22, 1994 and the twenty-second day of each June and December thereafter throughout, to and including December 22, 2012.

"Note Purchaser" shall mean the Note Purchaser named in Schedule 2 to the Participation Agreement and its respective successors and assigns, including successive holders of the Notes.

"Officer's Certificate" shall mean a certificate signed in the case of a corporation by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of such corporation, in the case of a partnership by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of a corporate general partner, and in the case of a commercial bank or trust company, the Chairman or Vice Chairman of the Executive Committee, or the Treasurer, any Trust Officer, any Vice President, any Executive or Senior or Second or Assistant Vice President, Secretary or Assistant Secretary, or any other officer or assistant officer customarily performing the functions similar to those performed by the Persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"Operative Agreements" shall mean and include the Participation Agreement, the Warranty Bills of Sale, the Acquisition Agreements, the Trust Agreement, the Lease, the Lease Supplements, the Notes outstanding at the time of reference, the Security Agreement, the Security Agreement Supplements, the Guaranty Agreement and the Tax Indemnification Agreement.

"Owner Participant" shall mean Liberty National Leasing Company, a Kentucky corporation, and its successors and permitted assigns of its Beneficial Interest.

"Owner Participant Agreements" shall mean the Operative Agreements to which the Owner Participant is a party.

"Owner Trustee" shall mean Shawmut Bank Connecticut, National Association not in its individual capacity but solely in its capacity as trustee under the Trust Agreement and its successors in trust thereunder.

"Owner Trustee Agreements" shall mean the Operative Agreements to which Shawmut Bank Connecticut, National Association, either in its individual or trust capacity, is a party.

"Participants" shall mean the Note Purchaser and the Owner Participant.

"Participation Agreement" shall mean the Participation Agreement dated as of June 1, 1994, among the Lessee, the Participants, the Owner Trustee and the Security Trustee.

"Permitted Contest" shall mean a good-faith contest conducted in a manner so as to prevent the imposition of any criminal penalty on, or adverse effect on the title, property or right of, such Indemnified Party, of the amount, legality or validity of any of the taxes, assessments, levies, fees or other governmental charges, or other claims, Liens or impositions which, under the terms of the Lease, are required to be paid or discharged by the Lessee or the Lessor, as the case may be, but for such contest or in the case of a contest by a Person other than the Lessee, so as to prevent the imposition of any criminal penalty on the Lessee or adverse effect on the rights of the Lessee under the lease, including the right to use the Equipment.

"Permitted Encumbrances" with respect to the Equipment and each Item thereof, shall mean (i) the interest of the Lessee and the Owner Trustee, respectively, under the Lease; (ii) any Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount, legality or validity of which is being contested by a Permitted Contest; (iii) any Liens of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are not more than 30 days past due or the amount, legality or validity of which is being contested by a Permitted Contest; (iv) the Lien and security interest granted to the Security Trustee under and pursuant to the Security Agreement; (v) the rights of any sublessee or assignee pursuant to Section 13. of the Lease in respect of the Equipment, (vi) Lessor's Liens, (vii) Liens which either the Owner Participant or the Owner Trustee is required to remove pursuant to the Operative Agreements, and (viii) Liens which the Security Trustee is required to remove pursuant to the Operative Agreements.

"Permitted Short-Term Sublease" shall have the meaning specified in the definition of Permitted Sublease.

"Permitted Sublease" shall mean a sublease of any Item of Equipment to (i) an Affiliate of the Lessee for any term not longer than the remaining Lease Term, which sublease may be entered into without the consent of any Person, (ii) an operating railroad or other Person in accordance with customary utility practice for a period not to exceed the lesser of the remaining Lease Term or 12 months (each a *"Permitted Short-Term Sublease"*), which sublease may be entered into without the consent of any Person, or (iii) to a Person not described in clauses (i) or (ii) above for any term not longer than the remaining Lease Term, with the prior written consent or consents of the Lessor, and so long as the Lien of the Security Agreement shall not have been discharged, the Security Trustee, such consent or consents not to be unreasonably withheld.

"Person" shall mean an individual, partnership, corporation, limited liability company, firm, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Plans" shall have the meaning specified in Section 3.2(n) of the Participation Agreement.

"Pricing Assumptions" shall mean the assumptions set forth in Annex 2 to the Lease.

"Prime Rate" shall mean for any day the rate announced by The Bank of New York, from time to time at its principal office in New York, New York, as its prime rate for domestic (United States) commercial loans in effect on such day (such Prime Rate is not necessarily intended to be the lowest rate of interest charged by The Bank of New York in connection with the extensions of credit).

"Purchase Agreement" shall mean collectively the letters, specifications, allowance sheets and other documents between the Seller and the Lessee in connection with the Lessee's

Request Numbered FS-TM-01-93 dated December 6, 1993 and the Seller's Bid dated December 27, 1993.

"Purchase Price" shall mean with respect to an Item of Equipment \$43,644.20.

"Reasonable Basis" for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85-352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association.

"Refinancing Date" shall have the meaning specified in Section 2.7 of the Participation Agreement.

"Register" shall have the meaning specified in Section 2.3 of the Security Agreement.

"Regulations" shall mean the income tax regulations issued, published or promulgated under the Code.

"Renewal Term" shall mean any term in respect of which the Lessee shall have exercised its option to renew the Lease pursuant to Section 25(a) hereof.

"Rent" shall mean Interim Rent, Fixed Rent and Supplemental Rent.

"Rent Payment Dates" shall mean for each Item of Equipment (i) for the Basic Term thereof, June 22, 1995 and the twenty-second day of each June and December thereafter throughout, to and including December 22, 2014, and (ii) for each Renewal Term thereof, each date on which a payment of Fixed Rent is due and payable for such Item as provided in Section 25(a) of the Lease.

"Reoptimization Date" shall have the meaning specified in Section 9.11 of the Participation Agreement.

"Replacement Escrow Amount" shall have the meaning specified in Section 15(b)(i) of the Lease.

"Replacement Item" shall mean an item of railroad rolling stock meeting the requirements of, and having been leased under the Lease pursuant to, Section 15 of the Lease.

"Responsible Officer" (i) of the Owner Trustee shall mean any Officer in the Corporate Trust Administration department of the Owner Trustee and (ii) of the Security Trustee shall mean the President, any Vice President, Trust Officer, Corporate Trust Officer or any other Officer of the Corporate Trust Administration department of the Security Trustee.

"Second Closing Date" shall have the meaning specified in Section 2.3(a) of the Participation Agreement.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Security Agreement" shall mean the Security Agreement - Trust Deed dated as of June 1, 1994 between the Owner Trustee, as debtor, and the Security Trustee, as secured party, as amended or supplemented from time to time.

"Security Agreement Supplement" shall mean each Security Agreement Supplement, substantially in the form of Exhibit B to the Security Agreement, entered into between the Debtor and the Security Trustee on each Closing Date, covering the Equipment to be delivered on such Closing Date.

"Security Trustee" shall mean Wilmington Trust Company and its successors in trust not in its individual capacity but solely as security trustee under the Security Agreement.

Security Trustee's Liens" shall mean Liens arising out of claims against the Security Trustee, in its individual capacity or as Security Trustee not related to the transactions contemplated by the Participation Agreement.

"Seller" shall mean Johnstown America Corporation.

The term *"separate account"* shall have the meaning specified in Section 3 of ERISA.

"Stipulated Loss Value" of an Item as of any Rent Payment Date shall mean the amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(f) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Stipulated Loss Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of such Stipulated Loss Value, at least equal to the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date.

"Storage Period" shall have the meaning specified in Section 5(a) of the Lease.

"Subsidiary" shall mean any corporation, trust or association of which more than 50% (by number of votes) of the Voting Stock at the time outstanding shall at the time be owned, directly or indirectly, by the Lessee or by any other corporation, association or trust which is itself a Subsidiary within the meaning of this definition, or collectively by the Lessee and any one or more such Subsidiaries.

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Fixed Rent) which the Lessee is obligated to pay under the Lease or the Participation Agreement, including, but not limited to, Stipulated Loss Value and Termination Value

payments, payment of the Make Whole Premium under Section 27 of the Lease, and amounts, if any, payable, under Section 2.6 of the Participation Agreement (to the extent such payment does not give rise to a rental adjustment under Section 6(f) of the Lease) by the Lessee.

"Tax Assumptions" shall have the meaning given in Section 2 of the Tax Indemnification Agreement.

"Tax Indemnification Agreement" shall mean the Tax Indemnification Agreement dated as of June 1, 1994 between the Lessee and the Owner Participant.

"Term" shall mean the Lease Term.

"Termination Value" of an Item of Equipment as of any Rent Payment Date shall mean with respect to such Item of Equipment an amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(f) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Termination Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of such Termination Value, at least equal to the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

"Third Party Storage Location" shall have the meaning specified in Section 5(a) of the Lease.

"Transaction Costs" shall have the meaning set forth in Section 2.6 of the Participation Agreement.

"Treasury Rate" shall mean at any time with respect to the Notes being prepaid the sum of (i) .50%, plus (ii) the weekly average of the yield to maturity on the United States Treasury obligations with a constant maturity (as compiled by and published in the most recently published issue of the United States Federal Reserve Statistical Release designated H.15(519) or its successor publication) most nearly equal to (by rounding to the nearest month) the Weighted Average Life to Maturity of the Notes then being prepaid. If no maturity exactly corresponding to such Weighted Average Life to Maturity of the Notes shall appear therein, the weekly average yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Rate shall be interpolated from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month).

"Trust" shall have the meaning specified in the Trust Agreement.

"Trust Agreement" shall mean the Trust Agreement dated as of June 1, 1994 between the Owner Participant and Shawmut Bank Connecticut National Association.

"Trust Estate" shall have the meaning specified in Section 1.2 of the Trust Agreement.

"Voting Stock" shall mean Securities of any class or classes of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or persons performing similar functions).

"Warranty Bill of Sale" shall mean each Warranty Bill of Sale dated a Closing Date from the Seller to the Owner Trustee pursuant to which the Seller shall convey to the Owner Trustee title to the Equipment for which settlement is being made on such date.

"Weighted Average Life to Maturity" with respect to the Notes shall mean, as at the time of determination, the number of years obtained by dividing the then Remaining Dollar-years of the Notes by the sum of the remaining scheduled principal payments on such Notes. The term *"Remaining Dollar-years"* of the Notes means the product obtained by (i) multiplying (A) the amount of each then scheduled required principal payment (including payment at final maturity), by (B) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Notes and the date of such required payment is due, and (ii) totalling all the products obtained in (i).

PRICING ASSUMPTIONS

CLOSING DATE:	First Closing Date: June 23, 1994 - All Items Second Closing Date: July 31, 1994, if required
ASSETS:	380 new 120-ton high side rotary dump aluminum gondola railcars, as listed in Exhibit A to the Railcar Lease
PURCHASE PRICE OF ASSETS:	\$43,644.20 per railcar; \$16,584,796.00 total
INTERIM TERM COMMENCEMENT DATE:	First Closing: June 23, 1994 Second Closing: July 31, 1994, if required
BASIC TERM COMMENCEMENT DATE:	December 22, 1994
BASIC TERM:	Twenty years from December 22, 1994
INTERIM RENT:	Interest only on Notes, payable by the Lessor on the last day of the Interim Term.
FIXED RENT DURING THE BASIC TERM:	As set forth in Exhibit C to the Railcar Lease.
STIPULATED LOSS VALUES:	As set forth in Exhibit D to the Railcar Lease.
TERMINATION VALUES:	As set forth in Exhibit D to the Railcar Lease.
FIXED PURCHASE OPTION PRICE:	46.5% of original Purchase Price.
INTEREST RATE ON NOTES:	7.63%
PERCENTAGE OF PURCHASE PRICE OF ASSETS FUNDED BY NOTES:	74.52503%
PERCENTAGE OF PURCHASE PRICE OF ASSETS FUNDED BY THE EQUITY CONTRIBUTION:	25.47497%
TOTAL EQUITY CONTRIBUTION:	\$4,224,971.20

ANNEX 2
(to Railcar Lease)

AMORTIZATION OF
NOTES:

As set forth in Annex 2 of the Security Agreement.

TAX ASSUMPTIONS:

As set forth in Section 2 of the Tax Indemnification Agreement.

ASSUMED TRANSACTION
COSTS WHICH ARE THE
RESPONSIBILITY OF THE
OWNER PARTICIPANT
AND ACTUALLY PAID BY
THE OWNER PARTICIPANT:

1.5% of the aggregate Purchase Price of the Equipment

DESCRIPTION OF EQUIPMENT

380 120-ton high side rotary dump aluminum gondola railcars as more specifically described in the Lease Supplements delivered on each Closing Date.

EXHIBIT A
(to Railcar Lease)

LEASE SUPPLEMENT NO. _____

THIS LEASE SUPPLEMENT NO. ____ dated _____, 1994 between SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, not individually but solely as Owner Trustee (the "*Lessor*"), and NORTHERN INDIANA PUBLIC SERVICE COMPANY, an Indiana corporation (the "*Lessee*"),

WITNESSETH:

1. The Lessor and the Lessee have heretofore entered into a Railcar Lease dated as of June 1, 1994 (the "*Lease*") providing for the execution and delivery of Lease Supplements substantially in the form hereof. The terms defined in the Lease shall have the same meanings when used herein.

2. The Lessee hereby acknowledges and confirms that on or prior to the date hereof, the Equipment described in Schedule 1 attached hereto has been delivered and accepted by the Lessee. The Lessee represents that the Equipment described in Schedule 1 is free and clear of all Liens and encumbrances (except Permitted Encumbrances) and in a condition which in all respects is satisfactory to the Lessee and in compliance with the Lease.

3. The Lessee hereby certifies that the date of acceptance of the Equipment described in Schedule 1 and commencement of the Interim Term with respect thereto is the date of this Lease Supplement No. _____.

4. The Lessee hereby certifies that the Purchase Price for the Equipment described in Schedule 1 is \$_____.

5. Interim Rent for the Equipment described in Schedule 1 is payable in the amount set forth in Section 6(a) of the Lease on December 22, 1994. Fixed Rent, Stipulated Loss Values and Termination Values for the Equipment described in Schedule 1 is payable in the amounts and on the Rent Payment Dates set forth in Schedule 2 attached hereto.

6. This Lease Supplement shall in all respects be governed by, and construed in accordance with, the laws of the State of Indiana, including all matters of construction, validity and performance.

Counterpart No. _____ of _____.

EXHIBIT B
(to Railcar Lease)

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this instrument to be executed, all as of the day and year first above written.

NORTHERN INDIANA PUBLIC SERVICE
COMPANY, an Indiana corporation

By: _____
Its

SHAWMUT BANK CONNECTICUT, NATIONAL
ASSOCIATION, not individually but solely
as Owner Trustee

By: _____
Its

STATE OF _____)
) SS.:
COUNTY OF _____)

On this, the _____ day of _____, 1994, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ of NORTHERN INDIANA PUBLIC SERVICE COMPANY, who acknowledged himself to be a duly authorized officer of NORTHERN INDIANA PUBLIC SERVICE COMPANY, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name:
Notary Public
My Commission Expires:
Residing in _____

STATE OF _____)
) SS.:
COUNTY OF _____)

On this, the _____ day of _____, 1994, before me, a Notary Public in and for said County and State, personally appeared _____, the _____ of SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, who acknowledged himself to be a duly authorized officer of SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name:
Notary Public
My Commission Expires:
Residing in _____

Receipt of this original counterpart of the foregoing Lease Supplement is hereby
acknowledged this _____ day of _____, 1994.

WILMINGTON TRUST COMPANY, as Security
Trustee

By: _____
Its

DESCRIPTION OF EQUIPMENT

Schedule 1
(to Lease Supplement No. ____)

**SCHEDULE OF FIXED RENT, STIPULATED LOSS VALUE
AND TERMINATION VALUE RATE FACTORS**

I. FIXED RENT

RENT PAYMENT DATE	RENT INSTALLMENT FOR THE ITEM OF EQUIPMENT EQUAL TO PURCHASE PRICE OF THE EQUIPMENT TIMES THE FOLLOWING FIXED RENT FACTOR
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Schedule 2
(to Lease Supplement No. ____)

II. STIPULATED LOSS VALUE AND TERMINATION VALUE

RENT PAYMENT DATE	STIPULATED LOSS VALUE OR TERMINATION VALUE, AS A PERCENT OF THE PURCHASE PRICE OF THE ITEM OF EQUIPMENT (IN ADDITION TO FIXED RENT INSTALLMENT FOR SUCH ITEM OF EQUIPMENT DUE ON SUCH DATE)
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SCHEDULE OF FIXED RENT

RENT PAYMENT DATE	RENT INSTALLMENT FOR THE ITEM OF EQUIPMENT EQUAL TO PURCHASE PRICE OF THE ITEM OF EQUIPMENT TIMES THE FOLLOWING FIXED RENT FACTOR
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[INTENTIONALLY OMITTED FROM ICC FILED DOCUMENT]

EXHIBIT C
(to Railcar Lease)

**SCHEDULE OF
STIPULATED LOSS VALUE AND TERMINATION VALUE**

RENT PAYMENT DATE	STIPULATED LOSS VALUE OR TERMINATION VALUE, AS A PERCENT OF THE PURCHASE PRICE OF THE ITEM OF EQUIPMENT (IN ADDITION TO FIXED RENT INSTALLMENT FOR SUCH ITEM OF EQUIPMENT DUE ON SUCH DATE)
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[INTENTIONALLY OMITTED FROM ICC FILED DOCUMENT]

EXHIBIT D
(to Railcar Lease)